FINANCIAL TIMES



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Serbia

Behind the unrest in Belgrade



Telecoms

Wireless systems rewrite the rules

Technology, Page 12

compete?

Martin Wolf, Page 16



World Business Newspaper http://www.Ff.com

Kuwait oil group in line for \$610m **Gulf War payout**

Kuwait Oil Co is in line to receive \$610m in compensation for the cost of quenching some 700 oil well fires started by retreating fraqi troops as the 1991 Gulf War ended. Western diplomats expect the award – recommended by international arbitrators - to be endorsed today by the UN's compensation commission. Page 18

Bank of England attacked: One of the strongest attacks yet on the way the Bank of England handled the collapse of merchant bank Barings will be launched tomorrow by an influential committee of British legislators.

Argentaria float makes progress: Argentaria, the bank group 25 per cent owned by the Spanish government, will be ready for complete privatisation in a year, said chairman Francisco González. Its shares gained Pta170 to finish at Pta5,540. Page 19; World stocks, Page

Racing chief faces manslaughter trial; Formula One motor



racing team chief Frank Williams, left, and five other people will go on trial in Italy in February charged with manslaughter over the death of Brazilian driver Ayrton Senna. The case will be heard in Imola, where Senna was killed in a crash as he drove his

Williams car in the 1994 San Marino Grand Prix. The charges have been strongly denied.

US industrial output jumped by 0.9 per cent last month after a 0.2 per cent drop in October. when many auto plants were hit by parts shortages caused by the General Motors strike.

Role for Yeltsin's daughter: Tatvana Dyachenko, influential daughter of Russian president Boris Yeltsin, is likely to be appointed formally as a Kremlin aide, according to an article in a Moscow daily close to the country's

Norway's oil minister quits: Norway's oil and energy minister Grete Faremo has resigned over a scandal about the intelligence service's surveillance work dating from when she was iustice minister. Page 3

Saddam's son 'flown abroad': Iraqi president Saddam Hussein's son Uday is to be shot last week, according to the London-based international Arabic newspaper al-Hayat. The paper said relatives of Saddam Hussein's son-in-law Hussein Kamel, who was killed earlier this year soon after returning from exile,

Speedy calculator: Chip maker Intel has built the world's fastest computer, a prototype capable of performing 1,000bn calculations a second. That is almost three times faster than the previous record-holder, a computer built by Japan's Hitachi. Page 6int

Blow to Japan's opposition: Former Japanese prime minister Tsutomu Hata is leaving the main opposition party to form a rival political group. Mr Hata, a key figure in the New Frontier Party, had fallen out with NFP president Ichiro Ozawa. Page 18

Morgan Grenfell arm to pay out: Morgan Grenfell Asset Management is set to pay about £200m compensation to some 90,000 investors hit by losses resulting from the mismanagement of three unit trusts. Page 19

Hollinger stake for Brieriey: Conrad Black's Hollinger group is to sell its 25 per cent stake in John Fairfax Holdings, the Australian newspaper publisher, to New Zealand-based group Brierley Investments. Page 19

Passing of a perfume king: Jean-Pierre Guerlain, former chairman and chief executive of the French cosmetics and perfume company which bears his name, died at the age of 92. South African-born writer dies: Sir

traveller, writer and mentor of England's Prince Charles, has died at his London home, aged 90. Obituary, Page 6

Laurens van der Post_the South African-born

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OTHE FINANCIAL TIMES LIMITED 1996 No 33,168

Can Europe



■ US economy

The interest rate

TUESDAY DECEMBER 17 1996

EU warned over policing Emu Betting on monetary union

Bundesbank says stability pact must protect against political interference

By our Foreign and Financial Staff

The European Union must use its new stability pact to min-imise political interference in the policing of economic and monetary union, a senior Bundesbank director said yes-

Mr Otmar Issing said the agreement reached in Dublin was a step in the right direction, but needed further refinement to ensure that monetary union was stable and durable. "The hard task ahead will be

to implement the pact in such a way that it will be difficult to make purely political decisions" about countries that run excessive budget deficits. "The debate is not yet over." he said in an interview with the Financial Times.

His comments underline that Germany will continue to press for fiscal rectitude in the euro area and that the debate between Germany and other potential Emu members on securing stability is far from

It was only after marathon negotiations that EU leaders agreed on a system of penalties and trigger points, to restrain members of the future European economic and monetary union from undermining its stability by running deficits above 3 per cent of gross

The D-Mark fell yesterday on news of the pact, because traders believe it is now more likely to merge into the euro, which is expected to be a weaker currency than the

In an indication of the likely ation of a council for stability differences over policing of and growth which would act Emu, Mr Jean Arthuis, French as a political counterweight to the future European central economics and finance minister, said in an interview in the Tribune newspaper that con-Mr Issing, a senior member trol of the euro should be of the Bundesbank's decisionadaptable in the case of "accimaking central council, said,

however, that such a develop-

dents", and it was important that the compromise agreed in ment would be worrying, Dublin left the Ecofin council although he added he was not with sovereignty. opposed in principle to the He said he had "not the idea of a stability council in slightest doubt" about the cre- which Emu finance ministers

would discuss matters of joint fiscal interest.

(yield spread over the bund, % points)

Mr Issing gave only qualified support to the Dublin compromise in which Germany's wish for automatic sanctions was diluted by its EU partners. "Unrestrained automaticity would not have been possible, but one cannot be satisfied with a decision mechanism in which potential sinners pass judgment on actual sinners." He expressed concern that

the future independent central bank, to run monetary policy in the euro area, could be overburdened in carrying out its task of maintaining price stability. "The danger that too much pressure would be put on the monetary policy of the European central bank has not been eliminated."

He added that "the important message" in the draft pact was the aim of a balanced budget in Emu member states over the medium term. "If you take that seriously, this is a

huge step forward. He said it was a distortion to brand the stability pact simply "a Teutonic demand". The countries that would benefit most would be the smaller members of Emu who stood to suffer most if the larger member countries broke the Maas-

European markets made modest gains on the news.

tricht rules.

Preparing for Emu. Page 2: Currencies, Page 25: Bonds, Page 24: Veto threatened, Page 10

Boeing feared defence bid by McDonnell

York and Bernard Gray in

Boeing moved swiftly to buy McDonnell Douglas because it McDonnell's likely bid 10 days feared that its US aerospace defence operations of Hughes Electronics, it emerged yesterday.

Street, meanwhile. ing's success in sealing a takeing's shares were up \$5% at portfolio.

In Europe, there were con-Industrie, Boeing's only remaining rival in the large commercial aircraft business. The merged group will be the for the Hughes business. world's leading aerospace and \$48bn (£29bn).

have been planning to submit a bid for the Hughes operations by an auction deadline set for last Friday. Genis believed to be seeking between \$8bn and \$10bn for the business. It was after he heard of

ago that Mr Philip Condit, Boerival was about to bid for the ing's chief executive, is thought to have rushed ahead with an attempt to seize control of McDonnell.

greeted with enthusiasm Boe- McDonnell as a less attractive takeover candidate had it pulover of McDonnell, after two led off a deal with Hughes. failed attempts in two years. Boeing did not want a larger By lunchtime in New York, defence electronics business. McDonnell's shares were trad- but did want to consolidate its ing at \$62%, up \$10%, or 21 per position in military aircraft cent, from Friday's close. Boe- with McDonnell's existing

Mr Condit told Wall Street analysts yesterday that Boeflicting views on the impact of ing, which has been intent on the \$13bm-plus deal for Airbus building up its defence operations to balance its more cyclical commercial aircraft side, will not itself make a bid In Europe, Airbus, the four-

defence company with proj- nation airliner consortium, ected revenues next year of tried to play down the implica-McDonnell is understood to Continued on Page 16:

Cruising at dizzy heights, Page 17; Editorial comment, Page 17;



What goes up . . . investors in Shanghal watch in amazement as stock prices plummet, after warnings of a meltidown

Anti-speculation move hits China markets

China's fledgling equities markets crumpled yesterday dropping 10 per cent, the maximum permitted - after the authorities announced a crackdown on speculation and market manipulation.

Beijing's latest attempts to dampen investor enthusiasm drew protests from brokers and will further shake confidence in China's experiment in building capital markets.

The Shanghai and Shenzher bourses plummeted within moments of the markets open

the People's Daily, the Com- are bound to lead to stock strict measures would be munist party newspaper, crashes". The authorities fear enforced to stop credit being warned of a meltdown.

The paper recalled the Wall Street crash of 1929 which foreshadowed the Great flood of "hot money" from Depression, and said investors bank loans for this year's should be aware "stock rallies speculative bubble. It said

a collapse will cause social

The People's Daily blamed a

used to fuel speculative share trading. The Shenzhen composite index for A- and B-shares has risen 340 per

Continued on Page 18

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Scania warns French truck strike could hit earnings

By Hugh Carnegy in Sao Paulo 1997 production and Halg Simonian in London

Mr Leif Ostling, chief executive of Scania, the Swedish truck and bus group, yesmonth's French truck drivers' strike could affect fourth quarter earnings.
The company also said pro-

duction in Europe in the first quarter of 1997 would be about same period this year because of greater market uncertainty. Mr Ostling, speaking during a visit to Scania's operations in Brazil, said the strike had badly affected cashflow at

"Transporters are very sensitive to cashflow because they els. Many of them - especially in France - are probably hesitant after the strikes [to place new orders]." The dispute occurred just as

be 15% lower terday warned that last Scania started shipping 500 of its new 4-series trucks to dealers. Production had already

figures likely to

been delayed at its plant in Angers, France. "We had 300 units ready which we couldn't ship or 2 15 per cent lower than in the which were being transported

and were trapped by the another reminder of the volastrike. That very much hit our ability to supply France, Spain, Italy and Portugal." Other car and truckmakers had warned the strike could

many European hauliers and affect production but many could affect demand next year, appear to have survived unscathed. Mr Stefan Lorentzson, a spokesman for Scania's typically have low equity lev- arch-rival Volvo, said the strike had not had an effect. Some analysts thought Scania was using the strike to prepare investors for another

ing results following its SKr36bn (\$5.29bn) flotation last April. Scania's pre-tax profits fell from SKr706m in the third

quarter of 1995 to just SKr40m in the same period this year, chiefly because of delays in shifting to 4-series production. The warning about the strike "will lead to further dis-

appointment among investors and, although altogether outside management control, is tile nature of this industry" said Mr John Lawson, motor industry analyst at Salomon Brothers in London.

Mr Ostling said Scania was pressing ahead with a productivity drive which could mean up to 1,800 job losses from a European workforce of 19,000 over the next three years. In South America, Scania is

in the middle of a \$300m fouryear programme to double annual production to 20,000 poor quarter after disappoint-

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LONDON - LIFEDS - PARIS - FRANKFURT - STOCKHOLM - MADRID - HEW YORK - LOS AMBELES - TOKYO - HOME KO

scheme loses UK link

By Clay Harris in London and Davrell Roberts Tien in Stockholm

A British company closely linked to Fairbank, a currency trading scheme under investigation by Sweden's serious economic crimes squad, has withdrawn its application for authorisation by a UK financial regu-

This removes a UK link which had allowed Fairbank to claim a degree of temporary regulatory protection. Fairbank has marketed a high-risk currency specula-tion scheme to ethnic Chinese private investors in Sweden, many of whom have complained about incurring losses.

London-based Currency Exchange Services (CES) had supplied foreign exchange prices by tele-phone to Fairbank, kept its records and acted as its agent, according to Mr Kenneth Yeung. Mr Yeung is director of CES and "alternate director" of Currency Exchange Stockholm, Fairbank's official name.

CES has now withdrawn its application to the UK's Securities and Futures Authority for authorisation to arrange "rolling spot" trades - rolled-over forward contracts of seven days or less. While its application was being processed, CES was able to continue to operate legally in the UK.

The withdrawal, effective yesterday, means CES has had to cease any investment business. Staff in Fairbank's Stockholm office confirmed that calls were no longer

being answered in London. Fairbank does not have permission to trade currencies in Sweden, but regulators there have admitted they were unclear whether its local activities required such approval.

A Swedish prosecutor launched an official investigation last week after Fairbank's activity was exposed in the Financial Times and the Swedish newspaper Dagens Nyheter. In Stockholm, Mr Dannis

Cheung, Fairbank's director. was under pressure to return investors' money. The location of most of Fairbank investors' funds, conservatively estimated at | imposed by Emu will drive more than SKr10m (\$1.5m). is unclear. Fairbank typically moved investors' funds out of the country within two weeks of deposit.

Mr Cheung, a UK citizen, ran Pagoda, a similar scheme being investigated by the UK's Serious Fraud Office over the alleged misuse of investors' funds.

Currency UK pushes for equal access to Target



for Emu

stepped

pressure for all countries to have equal access to the for the planned a speech in Brus-

sels. Mr Howard Davies, the bank's deputy governor, said restricting full access to countries

England yesterday in the EU to find risky ways of of the whole exercise, to reduce euro even if Britain did not take firmed that preparations for the up its getting round the restrictions.

Germany and France have European Union argued that Target - which will link wholesale payments systems to allow instant transfers of euros, proposed Target the proposed single currency, Preparing payments system throughout the EU - will be linked inextricably to monetary single currency. In policy within the single currency area. Countries outside monetary union, therefore, should not have the same access to it as countries

The Bank of would encourage banks elsewhere "negate one of the main purposes would be ready to embrace the the risk inherent in systems in which banks are exposed to each other for a period of hours".

In its latest report on UK preparations for European monetary of EU countries. union, published yesterday, the bank spelt out the steps being taken in the City of London to ensure that Britain will be ready to handle the euro when it is introduced in 1999.

It said progress had been made to ensure the UK's financial mar-

part in the single currency. But, it said there had been no resolution to the Target debate even though its view was held by the majority

It said it would be working to reach agreement on the Target issue before the European central bank came into existence in spring 1998. But if no agreement were reached, it would seek to set up a rival payments system which would ensure that UK banks had

euro in the UK have so far focused on wholesale financial cope with euro cheques and offer euro bank accounts after 1999.

of its working party set up to UK were in or out. examine how the UK government bond, or gilt, market might haveto be reformed in response to

The bank's latest report con- Emu. It concluded that all of the outstanding stock of UK gilts should be redenominated into euros as soon as possible if markets. For the first time, how Britain joined Emu and that gilt ever, it published a long checklist prices should be quoted in deciof issues important for Britain's mals rather than fractions. Howretail financial sector so that UK ever, it said interest payments on clearing banks would be able to gilts should be made in pounds during the transition period, and that interest payments should be The bank published the findings paid semi-annually whether the

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Graham Bowley

Financial derivatives business set to shrink with advent of monetary union

Exchanges square up for a fight

By Samer Iskandar

As European economic and monetary union threatens to shrink the amount of business in listed financial derivatives, Europe's leading exchanges are expected to fight fiercely for market

share. Mr Gérard Pfauwadel chairman of the French derivatives exchange Matif. expects "substantial modification in the landscape of futures and options exchanges in Europe".

The battle between the Matif, DTB in Frankfurt and Liffe in London is likely to be toughest over short-term interest rate contracts and, to a lesser extent, medium and long-term bond futures.

"The shorter the maturity, the more vulnerable the contract", said Mr Jörg Franke from the DTB. Because benchmark inter-

est rates on the euro will be set by the future European Central Bank, existing rates on individual currencies will disappear, suppressing the need for instruments such as Liffe's and DTB's euromark instruments and Matif's Pibor - futures and options on one- and three-month rates on the D-Mark and French franc.

Liffe hopes that by converting D-Mark contracts into euros, it will retain its leadership. Matif has come up with similar measures to ensure a smooth transition from its franc-denominated Pibor contract to a euro benchmark.

Bond futures and options are also expected to undergo significant changes. The convergence of economies bond yields closer together, but small differences will remain. reflecting (among credit quality of each mar-

Most existing bond products should continue to umes. However, liquidity move relative to German more on equity derivatives prove to be an effective com-

The futures whose futures are in doubt

≡ in je	opardy:	short-te	rat in	terest rat	e produ	cts
	:	•		Volume*		ivy.

instrument	Volume* Futures Options	Expected effects of Emu
1-month D-mark (Liffe) 1-month D-mark (DTB)	18,044 – 49,426 –	Both contracts will compete for European dominance of their sector. The possible launch by Matif of a short-term FFI product would intensify the competition.
3-month D-Mark (Liffe) 3-month D-Mark (DTB) 3-month FFr (Matif)	and the second second	Intense competition is expected in this sector, the most liquid erea of the short end of the yield curve. It is very likely that there will be room for only one successful contract.
3-month eurolira (Liffe)	727,392 134,390	Likely to disappear if and when Italy joins Emu.
3-month Ecu (Liffe)	37,597	Likely to disappear as soon as 3-month D-Mark or FFF becomes the benchmark for euro 3-month rates.
3-month sterling (Liffe)		Likely to disappear or be merged with Liffe's 3-month D-Mark. If this becomes the European benchmark. (Subject to the UK joining Emu.)
3-month Swiss Fr (Liffe) 3-month euroyen (Liffe)	328,090 2,876 20,404 972	Unaffected by Emu.
S Under moderate the	reat: medium and lo	og-term bond contracts

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3-month euroyen (Liffe)	20,404 972	
■ Under moderate ti	weat: medium and ic	ing-term bond contracts
Instrument	Volume*	Expected effects of Emu
German LT bund (Liffe)	3,285,285 550,104	Will compete with DTB's bund contract and Matif's notional and Edu for European dominance.
German LT bund (DTB)	1,561,739 29,697	Will compete with Liffe's bund and Matit's notional and Equi
German Bobl (DTB)	1,658,763 96,991	Set to become the European benchmark future on medium-term (3-5 year) bonds, unless Matti and Life come up with similar products.
italian BTP (Liffe)	1,403,137 286,594	Likely to suffer fall in liquidity if and when Italy joins Emu.
Long gilt (Liffe)	1,779,742 183,096	Will compete with bund and notional for European dominance.
Japanese bonds (Liffe)	94,610	Unaffected by Emu.
French notional (Matif) Ecu long bonds (Matif)	2,500,162 650,291 40,502	Both of Matir's bond products will compete with Liffe's build and DTB's bund. Matir has yet to decide whether to merge them into a single product after Emu.

Number of contracts traded in November 1966. Contract opened of November 21, 1996. Contract opened in mid-November 1996, **** Will start trading in early 1997.

nated in the euro.

This contract will be used the perceived liquidity and national contracts will prorisk of one country's bonds moving relative to those of other countries - for exam-

by market participants to The only predictable effect of tage of screen-based trading, hedge against general moves Emu on futures and options a much cheaper trading sysother factors) differences in in bond prices. The smaller on individual shares and tem than open outcry national contracts will pro-vide protection against the markets, for example, will be although proponents of pit trading claim it provides bettlement in euros.

But not all derivatives will rate products.

be subject to competition. the shift to clearing and set-

This situation is favouratrade, but in smaller vol- ple, when French bonds ble to DTB, which relies widest array of products will

will shift to one benchmark bunds because of political business than its French and petitive tool, hence Liffe's contract, which will act as a uncertainty or diverging eco- UK competitors, which are and DTB's quasi-simultaproxy for all bonds denominounic fundamentals. more specialised in interest neous decision

DTB also has the advanlast week, announcing a future on two-year rates. ter liquidity.

All three exchanges are convinced that offering the

to start listing futures on one-month rates. DTB went even further

And Matif is considering a product based on very short rates - possibly overnight rates in order to differentiate it from its competitors' onemonth contracts. There is no doubt that gaining market share in the run-up to Emu will boost an exchange's chances of win-

ning the fight for European

dominance. In their latest

attempts at increasing trading volumes, all three exchanges have initiated links with foreign markets. Both Liffe and Matif have chosen the Chicago Mercantile Exchange to offer their contracts to US traders. CME members will, as a result, soon have access to Liffe's three-month interest rate contracts on D-Marks, as

year French bonds. In a similar move, the DTB has accelerated its installation of overseas terminals offering access to its listed contracts. Last week it announced a strategic alliance with the Swiss exchange - which is also based on electronic trading aiming to create a common platform for trading and

well as Mattif's futures on 10-

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for ins and outs of ERM in 1993 to preserve the 2.25

Pact sets rules

summit Dublin agreement on a budget sta- Non-coercion. On British bility pact for countries in the euro zone captured membership of the new weekend headlines, but ERM is not compulsory, financial markets should not overlook a second EU pact governing currency discipline.

Agreement on operation of the revamped exchange rate mechanism is an important step towards resolving a highly sensitive political issue: how to regulate the relationship between "ins" and "outs" in the future monetary uniou.

The new ERM is based on a "hub and spokes" concept, which means the euro will anchor the system and countries outside will target their currencies against the euro only. The idea is to extend the zone of currency stability to outsiders.

the tradition of the old ERM set up in 1979 to minimise currency fluctuations. Here, each participating currency has a central rate against the Ecu (the basket of national currencies), which in turn allows a system of bilateral central rates to be calculated covering all cur-

The old ERM set fluctuation margins of 2.25 per cent Policy miscues for stronger currencies and 6 per cent for weaker ones. but it virtually collapsed in against a realignment for August 1993 under a wave of speculation against the Spanish peseta, the Portuguese escudo and, latterly,

typical piece of EU improvi- ion" to avoid significant sation, expanding the fluctuation bands to 15 per cent including the ECB, would either side of the central rate to avoid offering a fixed target to the markets.

ERM 2, which is due to come into force on January 1, 1999, is based on three principles.

• Flexibility. The Emu "outs" – also known in Brussels as the "pre-ins" will select a central rate for tries inside and outside the their currency in consultation with members of the euro bloc and the future European central bank. The idea is to set the rate according to an assessment of each country's chances of joining the euro zone.

The standard fluctuation band is not officially set at 15 per cent, but will be "relatively wide, like the present one", according to the Dublin communique. Crucially, non-Emu currencies will be able to choose to target narrower bands, in much the same way as the Germans and Dutch agreed

per cent band between D-Mark and guilder. and Swedish insistence,

though countries outside the euro zone will be "expected" to join. In the same fashion, thanks to the influence of the Bundesbank, the European Central Bank's obligations to support weaker currencies under attack is limited.

Though future intervention is described as "automatic and unlimited", the final agreement states that the ECB and central banks of other countries can suspend intervention if this were to be in conflict with the primary goal of maintaining price stability. The lessons of the 1992-3

currency crises, when countries such as Britain. Italy. This approach modifies Spain and France held out

> The British have insisted they will not face sanctions if economic

political reasons, appear to have been absorbed.

The Dublin agreement states that any adjustment EU leaders reacted with a conducted "in a timely fashmisalignments. All parties, have the right to trigger confidential talks on a realignment

 Reinforced convergence. Brussels-speak for the process whereby countries submit their economic programmes to their peers. The principle of ministerial surveillance applies to couneuro zone, and will also apply to Britain if it decides to stay out of Emu or ERM 2. The British have success-

fully insisted that they will not face sanctions if their economic policy miscues. According to the agreement. the Council can make "when necessary, non-binding recommendations" to avoid misalignments and excessive nominal exchange rate fluctuations. However, under the Maastricht criteria, countries that allow their exchange rates to fluctuate wildly would not qualify for monetary union.

Emu: who's going to make it

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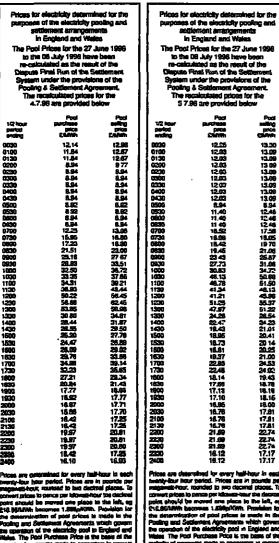
Currency strategists at investment benis J.P. Morgan calculate the probabilities from the interest rate swaps market, in which investors a feeling rate interest payments on an investment for fixed-rate ones.

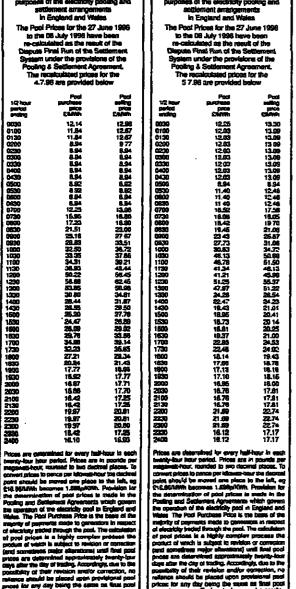
Countries are selected if they have a liquid aways market which allows parable probabilities to be calculated. Finland, Reland and Portugal will be added to the first calculator in the coming weeks. The probability which the marters place on Prance can be calculated by

The probability of Spain joining the Emu rose sharply after the agreement of ... the budget stability pact at the European Union summit in Dublin on Friday.

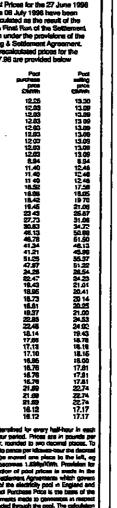
The probability placed on Italy also rose.

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EUROPEAN NEWS DIGEST

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Brussels warns over Anglo's Lonrho stake

stake taken by Anglo American, the South African mining group, in Lonrho, the UK conglomerate, would create a dominant position in the platinum and rhodium markets and could adversely affect competition. Beginning a detailed, four-month, investigation into the merger, it sent a clear signal the deal was unlikely to be

Mr Karel Van Miert, competition commissioner, has warned that any attempt by Anglo to take control of Lourho was likely to be blocked. He issued the warning when vetoing a merger of Lourho's platinum interests with those of South Africa's Gencor, on the grounds that the merged group would have had a duopoly in the platinum market with a subsidiary of Anglo American. The Commission said yesterday Anglo's stake in Lonrho, at 28 per cent, gave it de facto control under EU

receive a minimum L14,530bn (\$9.5bn) from the treasury for its 62 per cent stake in Stet, the telecoms group. The treasury will make available L3,000bn before the end of the year to sweeten Iri's 1996 accounts. The remainder will be paid over by June next year with the treasury issuing bonds funded by the national debt amortisation fund which is fed by monies from privatisations. The

Delay in the Stet sell-off has in turn undermined Iri's plans to cut debts of around L25,000bn to around L5,000bn by the end of this year. Robert Graham, Rome

Santoni gives himself up

organisation yesterday turned himself over to police two months after he was convicted in his absence for illegal possession of a firearm. Mr François Santoni, national secretary of the Cuncolta Naziunalista, and a former militant with the FLNC-canal historique, the clandestine movement responsible for a wave of recent bombings on Corsica, had been in hiding since he was sentenced in October to one year's imprisonment, of which eight Andrew Jack, Paris

Riviera 'Godfather' jailed

Mr Maurice Arreckx, a former French Riviera political boss who liked to be called "the Godfather", was jailed for two years yesterday and fined FFr1m (\$192,000) for receiving a kickback in the award of a public contract. The downfall of Mr Arreckx - who had been mayor of Toulon for 26 years until 1985, a Republican senator and head of the Var department council - followed police investigations into corruption after a mafia-style killing in February 1994 of Ms Yann Pist, a local anti-corruption deputy. In a letter made public after her death, Ms Plat told friends if she were killed. Mr Arreckx should be among the suspects. The court convicted Mr Arreckx, 79, for receiving FFr1,795,000 in 1992 from Mr Jean-Louis Germain, manager of a building company which was awarded a contract to build a technological institute in

Norwegian minister quits



The government of Mr Thorbjörn Jagland, (pictured left) the Norwegian prime minister, was hit by another resignation yesterday as Ms Grete Faremo, the country's oil and energy minister, stepped down in a scandal over alleged abuse of power by the national intelligence service in her previous job as justice minister. The resignation is the second from Mr Jagland's new government since he took over in October. Ms Faremo's decision to quit was

Russian mines sell-off move

The Russian government yesterday announced plans to transfer the management of more than one quarter of the troubled coal industry into private hands. The decision follows prolonged strikes by unpaid coal miners and allegations that a \$250m loan from the World Bank to restructure the industry had failed to trickle through the

Bank it had decided to privatise the management of some coal companies in the first quarter of 1997. Moscow intends to auction off the right to manage five coal mining groups: Bashkirugol, Vostsibugol, Krasnoyarsk Coal Company, Khakasugol and Leningradslanets.

E German business confidence

Business confidence in east Germany improved markedly in November, according to a survey conducted by the Halle Institute for Economic Research (IWH). In a poll of 300 companies in east Germany the number of those who said they expected a more positive development was double that in September. Around two-thirds of the companies described their current business outlook as

were the most optimistic. The most pessimistic were

In a separate survery, the Munich-based Ifo survey said east Germany's process of catching up with the west had stagnated and forecast a slightly higher rise in east German unemployment in 1997 than originally predicted. Unemployment in the whole of Germany would rise by Prederick Stüdemann, Berlin 100,000 to 4.1m.

Home connection to the Internet in Europe, which has lagged the US in its use of the global network, is expected to rise more than tenfold in the next five years, according to market research company Datamonitor. Although a European developed the World Wide Web - the navigation system which made the internet easier to use - Europe now represents only 10 per cent of world Internet users. Access from home, in particular, is less widespread then in the US, but Datamonitor forecasts the number of households online - 2.9m at present - will rise to 38m.

Nicholas Denton, London

The European Commission last night warned that the

approved unchanged.

Terms agreed for Stet stake

lri, the debt-ridden Italian state holding company, will stake has a current book value with Iri of L11,000bn.

One of the leaders of Corsica's largest nationalist



triggered by disclosures that Norway's intelligence service, the POT, in 1995 sought information from former East German Stasi security police archives on Mr Berge Furre, former leader of Norway's leftwing Socialist Left party. The POT's head also resigned yesterday. Mr Jagland ordered an immediate review of the organisation's structure.

bureaucracy down to its intended recipients.

Government said that following talks with the World Together these groups account for some 27 per cent of coal production in Russia. Chrystia Freeland, Moscou

The IWH said companies working in the capital goods sector, paricularly in vehicle parts and machine-making, companies in the raw materials sectors.

Internet connections to rise

Yeltsin's daughter 'to be Kremlin aide'

By Chrystia Freeland

Ms Tatyana Dyachenko, the influential daughter of Russia's President Boris Yeltsin. is likely to be appointed formally as a Kremlin aide, according to an article published today in Sevodnya, a Moscow daily close to the

Russian leadership. The report is likely to deepen the controversy surrounding Ms Dyachenko, who broke with Russian political custom this year by playing a key role in her

election.

Other Russian women, such as Raisa Gorbachev. who have violated the unwritten national taboo on family involvement in politics, have met with a frosty public reception. Citing Kremlin sources,

Sevodnya said that Ms Dyachenko, who already exercises vast informal power as gatekeeper to her convalescent father, could officially join Mr Yeltsin's staff by New Year's day.

lin chief of staff, and a group of seven bankers with whom he is allied, are achieving an

Sevodnya is owned by Mr Vladimir Gussinsky, founder of the Most media and banking empire and a member of the close-knit group of seven financiers.

Ms Dyachenko developed an intimate working rela-Ms Dyachenko's appointtionship with Mr Chubais cence, Ms Dyachenko political patronage from Rus-

father's successful bid for rement would be likely to during this year's presiden- became, in Sevodnya's words sia's neglected provinces. strengthen the view that Mr tial election, when she acted Anatoly Chubais, the Krem- as liaison between her father and a campaign team headed by Mr Chubais.

increasingly powerful role in convened by the bankers' the political and economic life of the nation. attack, shortly before his taken by presidential decree. July election victory, made

powerful.

president's quintuple heart her personal life. bypass operation and during his two month convales- also inspired requests for

"the ideal lobbyist".

person who could bring documents to her father's atten-The team was funded and tion and arrange meetings, a crucial role in a country where the most significant Mr Yeltsin's third heart political decisions are still

Ms Dyachenko's role has Ms Dyachenko even more drawn a barrage of attacks in the media, including In the months before the muck-racking articles about

But her influence has

In an invitation the Krem-She was often the only lin shrugged off as a joke, a group of women from Tula, a region some 350 km from Moscow, petitioned Ms

> They said they needed "a person capable of drawing the attention of the presi-

Dyachenko to run for gover-

dent". Sevodnya speculated that one motive for Ms Dyachenko's appointment could be to "good fortune for the Yeltsin clan in the 21st century".

Fischler presses for EU food watchdog

By Caroline Southey in Brussels

Commissioner for agriculture, yesterday proposed an independent consumer watchdog on food safety as part of a new regime to protect European Union consumers from dangerous foods such as beef from cattle infected with mad cow dis-

Mr Fischler said the EU needed a

body could have powers similar to the European Court of Auditors, Mr Franz Fischler, European which acts as the EU's financial watchdog and has extensive investigative powers. We need a body that has a high

profile and is accepted by public opinion. It needs to be independent of any interest groups," Mr Fischler told a press conference in

consumer agency to ensure that with member states over what of member states on food safety member states acted on EU laws powers the agency should have, as issues. It would be created by designed to contain animal dis-

He will also have difficulty convincing capitals that extra cash must be found for the agency. "There are still many member states which have misgivings

we will need more than lip-service to political intentions." Mr Fischler said the agency would work closely with the Com-Mr Fischler faces a tough battle mission in monitoring the actions

we want more European inspectors

cultural directorate in Brussels. "We need to have a separation between legislation and implemen-

about resources," he said. "But if way scientific advice was given to ment of the crisis sparked by the Commission, particularly the appointment of advisers. "The clearer separation we have ments are designed to pre-empt the between science and politics the inquiry's final report due out early better it will be for the consumer," issues. It would be created by

He said the inspection teams for the EU were "not in a position would be separated from the agri- to do their job" but that there was "no reason to suggest there was no

room for improvement". Mr Fischler's intervention comes tation." Mr Fischler said. as the European parliament wraps
He also called for changes in the up its inquiry into the manageas the European parliament wraps bovine spongiform encephalopathy (BSE) or mad cow disease. His comnext year which is likely to include

He added that he was "in no way Editorial comment, Page 17

Serbia finds a voice for democracy

Laura Silber tries to interpret an unfamiliar protest language

he growing number of how others see them: "These demonstrators who protests have changed our through the drab centre of undemocratic nation." Belgrade are showered with confetti by old women, serenaded by gypsy bands and

"CNN, CNN," they chant, signalling their approval of forward clear proposal the US-based worldwide free-market economy. news network. Along with media CNN was until

Seven years after the "peobrought democracy to most of central and eastern Europe, the Serbian capital has witnessed more than dan Milosevic's Socialists.

sands of protesters chanted in Smederevska Palanka, south-east of Belgrade, overturned the annulment order. It followed a similar decision on Sunday in Nis, an industrial city, which ordered the

Bolstered by a record turnout of 250,000 people in Bel-grade on Sunday, and protests spreading to more than 20 Serblan towns, opposition leaders have tasted victory. They vowed yesterday to keep up the protests until Mr Milosevic restored their win in the Serbian capital.

Having suffered the postponement of trade concessions by the west and now sanctions, the Serbian Presibelieved to have been behind to stop it," she says. the decision in Nis. And last week he invited the Organisation for Security and Co-operation in Europe (OSCE) to send a delegation to assess the fairness of the November poll.

ent from the Serbia of the say the economics students. past five years, dominated sanctions at his command.

tion with, and apparent people. revived affection for, communism; others blame him fearing western condemna-

for economic failure. of the Democratic party through excessive force, which is part of the Zajedno instead choosing to use the (Together) opposition coali- media, economic pressure tion, says there has been a and the tactic of selective sea change, both in Serbia arrests which carry a wider and beyond, in how the message of intimidation to Serbs see themselves and try to contain the protest.

every day march image as a problematic, The pragmatic Mr Djindjic has emerged as the mastermind of Zajedno, marginalisgreeted with victory signs by ing the charismatic Mr Vuk office workers leaning out of Draskovic, head of the Serbian Renewal Movement. His Democratic party has put forward clear proposals for a

Whereas in the past the the rest of the western main opposition groups espoused nationalist goals. recently derided by most they are now keen to dispel Serbs as biased against them any suspicion that they in Yugoslavia's violent disin- share the aggressive Serb nationalism which in the past Mr Milosevic used as a ple's power" revolution battle cry but which won the Serbs near-universal foreign condemnation.

The Zajedno parties have repeatedly underlined their four weeks of protests commitment to western against the government for democratic standards - and annulling opposition victo- to the Dayton peace agreeries in local elections on ment which ended the war November 17 and awarding in Bosnia. Support for that control to President Slobo- agreement is intended to impress western govern-Yesterday tens of thou- ments, which until recently regarded Mr Milosevic, for "victory" after a local court all his faults, as a guarantor

of any Bosnian settlement. But the claim to have eschewed nationalism and embraced democracy is made with even greater conviction by the students, local electoral commission to whose slogan - "Belgrade is reinstate the opposition vic- the world" - recalls the overthrow of communism in Prague and East Berlin in

"They are protesting the violation of basic civil rights," says Mrs Olga Popovic-Obradovic, an academic at Belgrade University law school. "There is no irrational mystification, no mention of national programmes or borders."

Students, she says, are the only generation who cannot facing threats of renewed be held responsible, even indirectly, for the fighting in dent appeared to be making ex-Yugoslavia. "Anyone else some concessions and is can be asked what they did

heir placards are witty: "I think, therefore I don't watch state television," reads a sign carried by philosophy students. "Milosevic, you It all looks so very differ- have used all your credits,"

For all the spectacle proby Mr Milosevic and an obe- vided by the demonstrations, dient Serbian population the regime does not appear ready to go to war and suffer to be in immediate danger. Mr Milosevic has built the Some of those in the 100,000-strong police force streets today are there into his own personal army, because they despise Mr Mil- complete with helicopters, osevic for toying with Ser- light tanks and artillery, in bian nationalist emotions by addition to the standard riot first promising to fulfil - gear, and he also still comand then abandoning - the mands the support of Serbdream of a Greater Serbia; ia's rural population, a large some dislike his past associa- part of Serbia's total 10m

tion, Mr Milosevic is resist-Mr Zoran Djindjic, leader ing restoring his authority

For the time being at least,

Cinecittà workers in protest at moves for television link

Workers at Cinecittà, Italy's Hollywood, where epics such as Ben-Hur and War and Peace were made, yesterday protested about moves to set up a new company strongly weighted with television interests to rent and manage

the film studios. L42bn; its Rome studios 10 per cent. cover 30 acres compared to The communication work-600 when built before the ers' union, which represents the plan. ema, the Treasury-controlled

casting network, Mediaset, the television company controlled by Mr Silvio Berlusconi, and Rank Group of the UK which it proposes should have 20 per cent each.

A company controlled by Mr Vittorio Cecchi Gori, Italy's leading film maker, will hold 10 per cent and a Cinecittà last year lost consortium of independent L14bn (\$9.2m) on revenue of film makers the remaining

second world war. Ente Cin- 500 staff at Cinecittà, said: "The significant entry of company that owns the stu-television interests weakens ema in the search for partdios, is to take a 20 per cent the cinematographic element ners, said it would be surstake in the new concern, to of the studios. We want the prised if the proposed

at present being used for making television programmes.

should not have been taken as the final act of the previous Ente Cinema board. The CGIL union confederation, of which the communication workers' union is a member, said it would ask Mr Gillo Pontecorvo, chairman of the new board which was elected yesterday, to freeze

Rothschild Italia, which has been advising Ente Cinbe called Cinecittà Servizi. right balance between cin-composition of Cinecittà It has named as potential ema and TV". The union Servizi was altered because

selection in close consultation with the Treasury.

One reason for nominating Workers say the decision television companies is understood to have been the need for them to have access to good production studios ment plans to ensure about a fifth of television transmission consists of Europeanmade fiction films. This would produce about L700bn of work over the next two to

three years. Ente Cinema also nominated Focus-Goldberry, an Italian concern controlled by Time Warner, to build and manage an 18-screen cinema complex planned for a corner of the studios' grounds.

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Court reduces sentences on ex-presidents and business chiefs

Chun escapes Korea's death row

By John Burton in Seoul

A South Korean appeals court yesterday reduced the sentences of two former presidents and several corporate chairmen on sedition and corruption charges in the nation's "trial of the century".

A death sentence given to ex-president Chun Doo-hwan was commuted to life imprisonment, while the jail sentence handed down to Mr Roh Tae-woo, his elected successor, was reduced to 17 years from 22 years.

The former presidents, who ruled South Korea between 1980 and 1993. had been convicted in August of staging a military coup in December 1979 that brought them to power. They were also convicted of ordering the army to suppress a pro-democracy demonstration in the city of Kwangju in May 1980 which ended in more than 200 deaths.

They has also been found guilty of illegally amassing \$1bn in slush funds. Top businessmen convicted of bribing the two former presidents for state contracts were allowed to walk free.

chairman of Daewoo, the South Kor-



Chun Doo-Hwan (left with glasses) and Roh Tae-woo: sentences reduced

the Dong-ah and Jinro groups next president, to be elected in late received suspended jail terms. The 1997, will probably grant amnestics chairman of the Hanbo group and the head of Daewoo's trading house

had their convictions quashed. It had been expected the appeals court would reduce the sentences. The defendants may also appeal to the supreme court to determine the validity of their convictions.

next president, to be elected in late to Mr Chun and Mr Roh. The appeals court said it decided

to be lenient because of their contribution to the nation's economic development and their willingness to transfer power peacefully through direct presidential elections. In reducing the sentences for the

responsible for forcing the corporate executives to make the payments. Prominent South Koreans previ-

ously convicted on corruption and other charges have frequently had sentences reduced or suspended for similar political or

But the appeals court decision provoked furore among relatives of the victims of the Kwangju massacre. This is unfair. This is obviously a prepared script," said one Kwangju mother outside the court.

The court's decision to commute Mr Chun's death sentence allows President Kim Young-sam to escape possible political censure. Mr Kim had been expected to issue a pardon before his single term in office ends in late 1997 if the appeal court had upheld the death sentence.
But the reduced sentences given to

most of those convicted in the trial are likely to renew charges that the case brought against the two expresidents was largely motivated by political considerations.

Critics claim President Kim ordered the trial of his predece Many South Koreans believe the business leaders, the court said ruling party from them.

Manila powers

The Philippine stock day accorded self-regulatory status by the Securities and Exchange Commission, the market watchdog, allowing it to devise its own rules and discipline members for

The SEC retains powerful judicial functions as well as the authority to intervene in llar to its US counterpart. The exchange's long-

awaited new status as a selfregulatory organisation (SRO) is effective until the end of February, by which time it must provide further regulatory details, such as how it proposes to deal with insider trading.

"It's important for them to submit a regulatory plan to define parameters under its...new status," said Mr Perfecto Yasay, SEC chair-

Mr Vitaliano Nanagas, PSE president, said achieving SRO status was a boost to the exchange's credibility: "This is the most important public recognition of the PSE's attempts to become world class," he said. "We're not bothered [by the limit of SRO status to the end of February]. Pm not comfortable without a plan, and the PSE won't forward until I have

The new status comes after much wrangling between the PSE and the SEC. Earlier this year, a local real estate company was barred by the PSE from listing, after its involvement in a legal dispute with the family of the late President Ferdinand Marcos concern ing ownership of part of its portfolio. The SEC overturned the ban, only to see it reimposed by the PSE.

Another area of contention between the two bodies has centred on the level of public, as opposed to bro-kers', participation in initial

ASIA-PACIFIC NEWS DIGEST

exchange | Seoul tries to gains new boost bourse

The South Korean government yesterday announced long-expected measures to boost the Seoul bourse, which has fallen to a 39-month low. Curbs on investments by pension funds in the stock market will be eased; listed companies will be encouraged to increase dividend payments to shareholders.

Securities firms will be able to offer increased interest rates of 5 per cent on consumer deposits to attract more funds. Limits on the duration and interest rates of margin loans which securities firms make to customers will be abolished. The government suggested it would adopt a flexible monetary policy to ease a liquidity shortage in financial markets. The measures, to be introduced gradually from next week, are not expected to lead to a sharp rebound in share prices, but could help restore psychological stability to a market badly shaken in recent

Taipei hits back at Pretoria

Taiwan is to suspend air links with South Africa from February 15 in retaliation for Pretoria's decision to sever diplomatic relations, Taipei said yesterday. South Africa's President Nelson Mandela announced on November 27 that Pretoria would cut ties with Taipei at the end of next year and recognise Beijing as the legal government of all China from January 1 1998.

The air link would be restored "when an arrangement governing future ties between the two countries is eached to our satisfaction", Taipei foreign minister Mr John Chang said. South African Airways would have to suspend its twice-weekly flights between Johannesburg and Taipei when the aviation agreement was frozen, he added. China Airlines, based in Talwan, had stopped its service in late October.

AFP, Tod

China in move on Sikkim

China is moving towards recognising Indian rule over the disputed Himalayan region of Sikkim, which New Delhi took over in 1975, India's foreign minister, Mr Inder Kumar Gujral, was quoted as saying yesterday. The Pres Trust of India said Mr Gujral told parliament he had discussed Sikkim with China's President Jiang Zemin last

Mr Jiang's visit to New Delhi was marked by an agreement to reduce troops and armaments along the Himalayan border. The pact fleshed out an agreement in principle signed by a former prime minister, Mr P V Narasimha Rao, in Beijing in 1998. Reuter, New Delha

Singapore elections 'soon'

Singapore adresident Ong Teng Cheong yesterday dissolved heritament, and the government set a December 23 deadline for nomination of candidates for an election, likely two-shield in the week ending January 4. The ruling People's Action party (PAP) is expected to win easily. Mr Golf Ghok, Koig, prime minister, has kept the country gnessing its seeks over when he would call the elections, which must be held by April. At the weekend, he suggested they would be held "sooner rather than later". In the last elections in 1991, Mr Goh's PAP, which has wor every election since 1959, won all but four of the 81 elected seeks in parliament. Opposition parties hope to win at Jeast 10 seets in what will be a parliament of 83

win at least 10 seats in what will be a parliament of 83

Japanese set sights on foreign trips

With a string of New Year national holidays approach—
The recent steady incre ing, a record number of Jap- in overseas travel and expenanese, traditionally reluctant travellers, are preparing for trips abroad, a sure sign of the consumer revival taking

It is a strong indication that the Japanese are abandoning their indifference to foreign bolidays, which a decade ago prompted the government to urge Japanese "salarymen" to see and spend more in foreign countries. Underpinning this encouragement to travel abroad was Japan's huge and politically sensitive balance of payments surplus, which Tokyo was under intense pressure to reduce.

By urging workers to spend their holidays abroad, rather than at home, the government hoped to cut the surplus. It coincided with a from December 23 to Janu-

The recent steady increase

diture by Japanese was evident in the October current account surplus, published this week. In services trade, Japan posted a deficit of Y657.9bn (\$5.8bn), the bigrecord. One of the largest. declines within the services trade deficit was in the tourism account, which showed a deficit of Y318.2bn, up from

Y311.6bn a year earlier. This trend is supported by the findings of Japan Travel Bureau, the country's largest travel agency, which compiles one of the most comprehensive surveys of Japanese tourism trends.

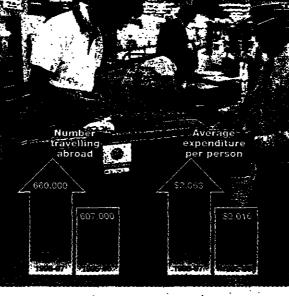
Its survey found that more than 660,000 Japanese travellers will travel overseas in the year-end holiday period

By Gwen Robinson in Tokyo strong yen and prompted ary 3, an increase of nearly 9 many Japanese to travel per cent from the period last then stay away longer than ever before and will spend more on New Year trips than in the past six years, the survey found.

One reason for this record number of travellers is the bunching of New Year gest monthly deficit on national holidays, which fall so that Japanese workers will gain the longest holiday sequence for some years. Underlying reasons for the

boom are largely economic, and stem from recent pay rises, a growing recovery in personal consumption and the increase this season in annual winter honuses. Bonuses, paid twice a year by companies to vast numbers of employees, can range from two to four months extra pay, or more.

The revival comes in spite



of a continuing shake-out in where there has been a agents and intensifying price Japan's travel industry, growth in discount travel competition among airlines. | public offerings.

A dam up against the wall

James Kynge on Malaysia's still troubled Bakun hydro project

any of the tales of the style or susua, sia's most famous construction manager may be apocryphal. But one story is true: early this decade Mr Ting Pek Khiing took just 53 days to build a hotel on the resort island of Langkawi. The top-speed effort, which tion shortage before an important international conference, caught the eye of Dr Mahathir Mohamad, Malaysia's hard-driving prime min-

Mr Ting, now the driving force behind Malaysia's ambitious Bakun hydroelectric power project, is a folkloric figure in his adopted home town. Most people in Miri, it seems, have a story about the one-time timber merchant who is now managing the construction of the M\$13.05bn (\$5.2bn) dam deep in the jungles of Malaysian Borneo, one of the biggest infrastructure undertakings

in south-east Asia. However, despite the vaunted qualifications of Mr Ting and the project's lead contractor, the Swiss-based Asea Brown Boveri, it has been clear for some time that the construction of Bakun presents a consider-able challenge. Signs are now emerging that raising ment-linked company withthe finance for the dam may be yet more difficult than

Much rests on an initial public offering (IPO) of shares in Bakun Hydroelecwhich is to finance, manage uncertainty shronds key has said he wants to raise M\$8bn by the issue of 4bn Ting's holding company. Ekran, mentions only an issue of 1.5bn Bakun shares. raising equity finance for Brokerage house analysts believed that the L5bn share launch may be the first in several tranches of the 31 2003. Money invested now scheduled 4bn issue but Ekran has declined to provide guidance until a formal prospectus is published.

Signs are now emerging that raising the finance for the \$5.2bn project in the jungle of Borneo may be more difficult than building it

Ting's expanding corporate empire. The remaining 25 per cent is to be divided between foreigners (10 per cent) and the Malaysian public. It is these last two categories which worry stock market analysts most.

"We will not be participating," said one Europe based fund manager with more than US\$1bn invested in Asia. "We have a duty to our clients. The potential investment rewards from Bakun simply do not outweigh the

The fact that one govern-

drew its pledge to buy Bakun shares this month and another slashed its promised involvement has done little to bolster confidence. Malaysian Mining tric Corp, the joint venture Corp had been due to take a 5 per cent stake but it and operate the dam. It is backed out. Tenaga typical of the project that Nasional, the national power utility, cut its promised holddetails of the IPO. Mr Ting ing earlier this year from 25 per cent to 5 per cent. Such companies are usually stal-Bakun shares at M\$2 each in warts of what the governwhat would be Malaysia's ment proudly calls Malaysia biggest share flotation. But Inc. and are willing to make the annual report of Mr sacrifices for the common economic good.

The central problem with Bakun is that the dam is not scheduled to start commercial operations until August will be exposed to the considerable risk of an ambitious engineering project during a six-year period in Three quarters of Bakun's which Bakun will not see a shares have been allocated cent in operating income. to a collection of govern- . This may be enough to damp ment-linked companies and enthusiasm in a country



to Ekran, the flagship of Mr where IPOs are often more than 50 times oversubscribed.

income begins to roll in, the dam's return on equity - a key measure of a project's attractiveness to investors may not be overly attractive. Mr Ting has estimated that of the project cost, analysis it could be 10.5 per cent.

"The bottom line is that added, might be for the govthe long-term return on this ernment to underwrite the project is inadequate," said debt, removing the risk bur-Mr Mark Mansley, a director at Delphi International, an investment analysis company in London. "Even 10.5 per cent is well below the long-term return generated by most European equities," he added.

Meanwhile, Malaysia's a high court ruling this year great."

It is also not known how the felling of jungle over such a large area could affect rainfall, soil erosion and the silting of the reservoir. Such uncertainties make it impossible to predict all-important water flows. These, and other, factors But even when operating not only cloud the outlook. for raising equity finance: they also apply to commercial bank lending. Debt finance could account for between 40 and 60 per cent-

say. The solution, they

that the environmental

study on the dam was con-

ducted in an unlawful man-

ner, but residual legal and

social problems cannot be

discounted. Some 9,500 tribal

residents of the jungle will

have to be relocated to make

way for a reservoir larger

than Singapore and environmentalists may renew a

campaign of opposition to the dam - a factor which

has turned some potential

European and US investors

off the project.

den from lenders. "In the end, the government may be forced to support this project even more than it already is," said a government official in Kuala Lumpur. "It is highly unlikely that Bakun will be abandoned but the cost to appeal court has suspended the nation may be far too.

Celstra

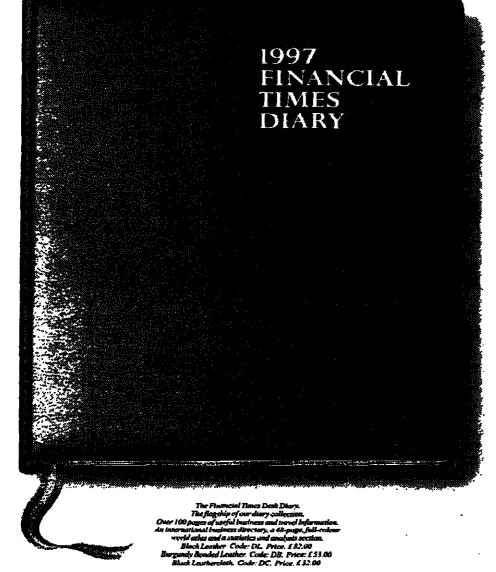
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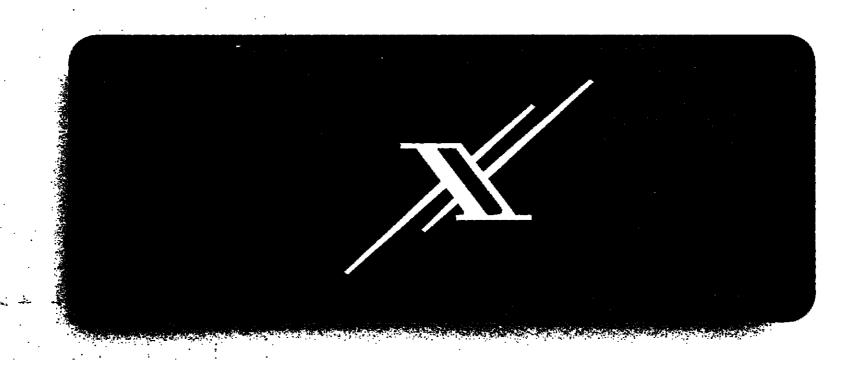
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SIR LAURENS VAN DER POST

More than 100,000 Rwandan Hutu refugees ended two-and-a-half years of exile yesterday, streaming home on foot across the Tanzania border, Reuter reports from

Ngara, Tanzania. More than 200 children were separated from their parents in the crush of feared the total could reach 1,000 by the end of the day. Mothers tied themselves to their children with yellow string supplied by the Red

In Geneva, the UN refugee agency said 103,000 refugees yesterday bringing to 133,000 the number of returnees in the past three days. Some 100,000 flutus in Tanzania were heading for Rwanda and another 50,000 were preparing to leave camps in Kitale area.

"This means we have more than 280,000 people who have either returned or are on the way home." the agency said.

There had been 540,000 Rwandan refugees in Tanzania but the UN does not know where the rest are. In Nairobi, President Nelson Mandela of South Africa discussed the conflicts in Zaire and Burundi with eight other African leaders for two hours yesterday.

Succumbing international pressure to get involved. Mr Mandela took part in talks on the crisis in the "Great Lakes" region of Central Africa for the first

Zaire, the country at the heart of the conflict, stayed away from the summit, damping hopes for any for peace. "It is hard to see what can be achieved without Zaire here," one

delegate said. Mr Mandela took part in closed-door talks with the other leaders for a over two hours leaving to fly has run into almost every imagin-

Israel under fire on Writer settlements policy

By Judy Dempsey in Jerusalem

Three former US secretaries of state, Mr James Baker, Mr Lawrence Eagleburger and Mr Cyrus Vance, have attacked Israel's policy of expanding Jewish settlements in the West Bank, saying it is counterproductive "to the goal of a negoti-

ated solution." In a letter to Mr Benjamin Netanyahu, the Israeli prime minister, they urged him not to take unilateral actions that would preclude a meaningful negotiated settlement and a comprehensive and lasting peace.

The letter reflects increas ing concern by the Washington establishment, the European Union and the Arab states that all the progress of the past few years towards a negotiated peace could be squandered if the settlement polícies continue.

The Israelis yesterday appeared to shrug off such criticism. A government official said the letter by the former US secretaries of state should not be dis-"but what was

Shultz" - another US secretary of state. The official added that the signatories to the letter "were in any case not known to have been the most friendly in the past to Israel."

The Clinton administration has taken a far less critical stance, repeating yesterday the settlement policy was "troubling".

The letter coincides with

attempts by the US administration to renew talks on the long-delayed Israeli troop redeployment from the West Bank town of Hebron. Mr Netanyahu and Mr Yassir Arafat, president of the Palestinian Authority, spoke by telephone on Sunday night after Mr Yitzhak Molcho, an adviser to the prime minister. and Mr Danny Naveh, the cabinet secretary, visited Mr Arafat in Gaza.

Last night, Mr Molcho met Mr Saeb Erekat, the Palestinian negotiator in Jerusalem, to renew the Hebron Mr Arafat himself has

already made moves to try to find the gummen who last week killed a Jewish settler noticeable about the letter and her son near the West was that it did not include Bank town of Ramallah. Sev-

detained but in the meantime the town has been closed off by Israeli forces.

Mrs Hanan Ashrawi, the higher education minister in the Palestinian Authority, said the closures were severely disrupting health and educational services.

The growing tension is causing increasing concern among Israel's business community, which has used the peace dividend of the past three years to forge contacts in the Arab states, Asia and Europe but which fears they could be undermined by Mr Netanyahu's policies.

The latest casualty is the Israeli Growth Fund. a US fund investing in Israel, which yesterday was wound up for lack of demand among investors due to the political tension.

However, despite the virtual standstill in the peace process, Mr Dan Gillerman, chairman of the Federation of Israeli Chambers of Commerce, will today head a delegation of businessmen to Ramallah to meet Mr Maher Al Mazry, Palestinian minister of industry and trade to promote co-operation.

with a range of

Sir Laurens van der Post, whose death was announced yesterday, was an internationally successful Afrikaner writer who made his life in Britain and also excelled as soldier, explorer, film-maker and unofficial diplomat.

Born in 1906 in the Orange Free State of Dutch and Huguenot stock, and brought up not far from the Kalahari desert, he became a iournalist in Durban as a very young man before travelling to England, where he farmed in Gloucestershire, joined the fringes of the Bloomsbury set, and published his first novel, In a Province, in 1934.

With the outbreak of the econd world war he served with the British army first in Ethiopia and the Western Desert and then in Java, where he was captured and spent 31/4 years as a prisoner of the Japanese. He would afterwards write frequently about that desperately dangerous period; he always took a close and sympathetic

Sir Laurens pictured in October with his autobiography, The Admiral's Baby

progress. After his release, he was sent by Lord Mount-

He then returned to Africa where, as a direct result of his book. Venture to the Interior, the eloquent and poetic led in Nyasaland on behalf of the British government, he became an internationally renowned author. In ful novels, he wrote, and made films, about his journeys to the Kalahari, books which became an elegy for

interest in Japan's post-war more autobiographical, more ing of Rhodesia's rebellion.

mystical, as he became more identified with the great Swiss psychologist Carl Gustav Jung. (He wrote a biography of Jung, his second wife Ingaret Giffard, whom he matried after the war, was a Jimeian analyst).

Van der Post also played a discreet but significant role in public affairs. Although he was always a passionate opponent of racism and of apartheid, he maintained close links with the South African white "Establishment" and was able to help in the negotiations which led His later books were ever to the Lancaster House end-

was believed to influence -Margaret Thatcher, More delicately, and even more discreetly, he was close to "the Palace", and in particular to the Prince of Wales (to whose son William he was godfather).

But in his later years his greatest attention was nrobably given to various "wilderments.

He had two children by his first wife Marjorie Wendt: his only son died in 1984; his daughter, Lucia, is a

Belgian power group becomes Almaty's bogeyman

hen thousands of angry customers were recently left without heat and electricity in Almaty, the mountain-flanked capital of Kazakhstan, they knew exactly who to blame - Tractebel, the Belgian

power company. The company appeared to have struck a profitable deal in August when it paid \$5m for the assets of Almatyenergo, a monopoly that produces and distributes heat and electricity to about 15,000 enterprises and government institutions and 650,000 households in the capital and the surrounding province. The Belgian company also took on some outstanding debt and pledged to invest \$270m.

homes and offices have been left in the dark and freezing cold more than ever, - and the Belgians have become bogeymen.

"I think we underestimated the effort needed," said Mr Jan Bens, managing director of Almaty Power Consolidated, Tractebel's venture in Almaty. "We didn't study it all thoroughly, and didn't appreciate the complexity of the business culture here."

Tractebel made itself unpopular from the start. It was free to hire and fire. But then one of the 500 sacked employees committed suicide by setting himself ablaze in front of the company's office. A campaign to boost payment disci-Since then, however, Tractebel

mer Soviet Union. As a result, of cold-blooded capitalism at its thought we didn't need to stock island," Mr Bens said.

Tractebel also found out that equipment was even more and fuel oil supplies were close to zero just before winter began. New supplies of coal were disrupted as a result of the mine's privatisation, and when supply contracts were re-confirmed the dilapidated railways could not supply coal quickly enough.

Tractebel had also counted on gas for its heating plants, but Uzbekistan cut off supplies because of Kazakh government debts. Fuel oil, the only alternative, proved even harder to get. "It's a land rich with oil so we pline by cutting off electricity thought getting fuel oil would be

fuel oil. We had contracts after all. But the problem was not the contract but the physical delivery." Supplies from this refinery take three days, and the next refi-

nery is eight days away.

Then supplementary electricity supplies from outside the province also failed to arrive. "The whole Soviet power grid was well organised," Mr Bens said. "But if fell apart." Russia and Kyrgyzstan cut off electricity because of outstanding debts, causing power plants in much of Kazakhstan to shut down frequently. Tractebel then appealed to a power plant in the Kazakh town of Dzhambul but found out power lines passed through Kyrgyzstan, which was

As a result, Tractebel was 36 per cent short of electricity at peak hours when the first heavy frost set in "The plan was to cut off in rotation. But at peak hours we had to cut everything we could." Mr Bens said. As the city's gas system was off as well, many families ended up cooking meals on bonfires in the courtyard and Tractebel's popularity sank well below freezing point.

So far Tractebel has put in \$55m, despite a guarantee that the company should be able to cover all costs in its tariffs and still make a 25 per cent profit.

"The contract gives the company the right to incorporate reasonable expenses," count-

But Mr Radostovets accused Tractebel of "providing false information" on some expenses and balked at counting non-payment of bills and a one-time payment of salaries owed by Almatyenergo before Tractebel took over. Neither Mr Radostovets nor other officials have called for a cancellation of the contract with Tractebel, however, fully aware that many of the problems are not of Tractebel's making.

Tractebel also has no intention of pulling out. "I was told it would be pioneer's work," said Mr Bens. We had to learn how to do bustness in Kazakhstan, It's difficult now, but I have faith that we can

Sander Thoenes

NEWS: THE AMERICAS

fastest computer

Teraflop machine does 40bn sums in blink of an eye

By Louise Kehoe in San Francisco

Intel, the leading maker of microprocessor chips, has built the world's fastest computer, capable of performing up to one trillion (1.000bn) calculations per second.

The "teraflop" computer is than the previous record Japan by Hitachi. A teraflop million million calculations

Another measure of the culations in the blink of an

"This is the digital equivalent of breaking the four-minute mile," said Mr Craig servers. Barrett, intel chief operating officer. "We have broken the psychological barrier."

of computer simulations."

the US Department of Energy's Sandia Laboratories. which plans to use the commuter to simulate the explosion of stockniled nuclear warheads. This will help to a landmark in terms of com- eliminate the need for actual puter performance. It is explosions, enabling the US almost three times faster to adhere to the comprehenholder, a computer built in by President Bill Clinton in September, said Mr Jack is one trillion floating point Gibbons, science adviser to the president.

Unlike earlier supereach involving numbers computers built for governwith more than a dozen dig- ment use, the Intel computer has been made with standard off-the-shelf compospeed of this computer is nents. These include 7,264 that it can perform 40bn cal- Pentium Pro microprocessors on standard circuit boards that are used in highperformance desktop com-

The current version of the machine is a prototype and the final version will incor-Intel's demonstration of ter- porate over 9,000 microproaflop performance will cessors, giving it a sustained "change the thinking of sci-entists all over the world as The key to achieving such

to what is possible in terms high performance is the way in which the microproces-The Intel machine has sors are tied together so that been built under contract to their computer power is additive.

While the teraflop computer has been built specifically for nuclear simulations, the technology is expected to find broad applications. Scientists may use this technology to address the "grand challenges" such sive test-ban treaty signed as the human genome project, the mapping of human genes, said Mr Gibbons.

Global climate modelling and weather forecasting, such as predicting tornadoes and hurricanes, may also benefit from this technology, said Ms Hazel O'Leary, US energy secretary.

While it is unlikely that businesses will use teraflop computers in the near future, scaled-down versions of the Intel supercomputer, using the same interconnec tion technology, are likely to find use in the design of aircraft, simulating car crashes, or building design, she added: "This puts the US clearly in the lead in terms of supercomputer innova-

when bills were overdue no problem," Mr Bens said. "We not co-operating. "Since then ered Mr Nikolai Radostovets. reinforced communist-bred fears saw a refinery 800km away, and we're basically sitting on an chairman of the Pricing and

Intel builds world's US output boosted by end of GM strike

US industrial production rose sharply in November, as the return to work at strike-affected General Motors plants lifted manufacturing output, the Federal Reserve said yes-

Total production rose by a seasonper cent in October. About half of

the US central bank's main

boardroom this morning for

their last meeting of 1996,

they could be forgiven for

succumbing to a bout of

Remarkably, after almost six years of growth, the US

economy is still set fair. In

spite of fears in the last few

years that it would hit one

snare or another, the econ-

omy remains on a near-per-

fect course between the

Scylla of higher inflation

and the Charybdis of reces-

sion. Growth is at or near its

long-term trend rate, infla-

tion is close to a 30-year low,

and unemployment is back

to levels not sustained since

the 1960s.

year-end self-congratulation.

put among other manufacturers and a surge in production by gas and facturing output was up 4.7 per cent six months. electricity companies in response to on a year earlier, while total producthe exceptionally cold weather tion was 4.4 per cent higher.

across the country. the fastest monthly increase since products. Business equipment pro- ated with inflationary bottlenecks.

Manufacturing production than cars and car parts dropped capacity. This was still well below ally adjusted 0.9 per cent last month increased by 0.8 per cent and utility slightly while non-durable goods pro- the rates recorded earlier in the from a month earlier, a strong output 2.5 per cent from a month duction edged up, reflecting gains in year, however, and was also comfortrebound from the revised fall of 0.2 earlier. The manufacturing figure, foods, chemicals, paper and energy ably below levels normally associ-

inflation.

the overall increase was attributed June, suggests the pace of activity at duction continued to show strong to the ending of the GM strike, but the nation's factories has quickened growth, especially computers, output there was also a strong gain in out-towards the end of the year after a of which has grown at an annual deceleration in the summer. Manu- rate of over 20 per cent in the last

> The rate of utilisation of industrial capacity also picked up in Novem-Output of consumer goods other ber, reaching 83.3 per cent of total

So far, so good for America Inc

Unfortunately, the past is not a reliable guide to the future, reports Gerard Baker

hen the members of the Federal Reserve's US aconomy: still set fair GDP Annualised quartedly, change Reserve's Open

And it is the Federal Reserve which has received most of the credit. By raising interest rates when others might not have done in 1994. and then lowering them The problem for the Fed is need for action is evident to that the past behaviour of the public at large," he said. again in 1996, the Fed has gently steered the economy the economy is not an espeon its current benign course. cially reliable guide to future benign historic data, there But the warm glow of sucperformance. Though there are several questions the cess at the Fed's top table

mistake. Having lowered interest rates at the start of the year when the economy appeared soft, they know they will be widely blamed if they fail to raise rates soon enough if inflation threatens course of inflation in the

In the face of stubbornly consider looking forward to inflationary developments in The most important is

whether or not the principal source of inflationary pres-

total has fallen, they have not done so at a pace that has sent alarm signals to policy makers. The best explanation for this behav-

cause an acceleration in

Though the data suggest

that wage costs have indeed

been rising as the jobless

iour is that workers may have moderated their claims because of the widespread insecurity that abounds in US labour markets, a sense of insecurity that is likely to fade, economists believe. In the last three months, unit labour costs have been on a slightly faster upward trend, indicating perhaps that the insecurity may have come to an end.

"What we have so far is not a full fire drill," says Mr a surge of extra spending by John Lipsky, chief economist consumers whose wealth at Salomon Brothers, the appears to have been bol-New York investment bank, stered by higher stock "but there are certainly now prices. clear whiffs of smoke in the

bottleneck in the capital Fed is about to insure goods market, which is also against that with an an early warning sign of inflation to come.

developments in the finanspan's remarks two weeks ance" in the stock market tightened policy," he says. set off a bout of selling. Some investors tried to disseems highly unlikely.



Greenspan: forecasts needed

the economy and create both a bubble in broader financial assets such as property and

Mr Stephen Roach, chief economist at Morgan Stanley There are hints too of a in New York, believes the increase in interest rates. "Three times in his career But perhaps the most Mr Greenspan has had to intriguing puzzle for policy- deal with bubbles - in 1987 makers is what to do about in the stock market, in 1993 in the bond market, and now cial markets. Mr Green in stocks again in 1996. On each occasion, the Fed has ago about "irrational exubergiven fair warning, and then

The only problem is that there is little clear evidence miss his intervention as that the feared spill-over merely an attempt to talk from financial markets has the market down. But that started to happen - yet. But that, of course, does not rule More probable is a concern out action by the Fed soon. next year or so is now much must operate on the basis of well below what economists at the Fed that before long. If the evidence were now more difficult than at any forecasts. "Often, we need to generally accept as the rate the explosion in stock prices clearly visible, it would prob-

Mexican banks warning

By Robert Chote, Economics Editor, in Washington

Mexico could face further social discontent and politi- recovery from the financial cal instability if its enfeebled banking system undermines crucially on an orderly reso- active encouragement of the country's fragile eco- lution of the banking system nomic recovery, according to problems", according to the an internal World Bank draft "country assistance analysis to be discussed by strategy" drawn up for recommends that compreits executive board today.

Any delay in resolving the payers, the report says. The fiscal costs of bank and national income on a net eign capital", the document attention to poverty relief

accelerating gradually to 5 the decade. But this steady crisis of 1994-95 "depends

Mexico. banking crisis could raise issue is not resolved, it could significantly the costs to tax- set off a "vicious cycle of a renewed rise in inflation and interest rates, declining ment lobby groups have debtor support could rise investor confidence, and a argued that the Bank's stratfrom around 10 per cent of narrowing of access to for- egy devotes insufficient

It predicts that economic ties women face in gaining World Bank staff expect growth would then stagnate access to education, land the Mexican economy to at around 2 per cent a year and credit.

grow 3 per cent this year, over the next two or three with the rate of expansion years, with the country remaining vulnerable to per cent a year by the end of external shocks for a protracted period.

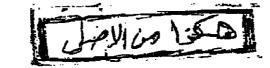
The draft calls for quicker action on problem banks, bank mergers and the disposal of bad loans acquired by the government. It also hensive deposit protection However, if the banking should be phased out and that new subsidy schemes

should be avoided. Several Mexican developand especially the difficul-

is little evidence from the Fed's policymakers must today will be chilled a little published data that inflation by the certain knowledge has been increasing - conthat central bankers are only sumer prices are rising at 1997. as good as their last policy most by about 3 per cent a year, and core wholesale prices are rising even more slowly - the real question is:

will that continue? Alan Greenspan, put it in a in not producing a burst of less widely quoted passage to take off. But the correct of his now infamous speech ployment rate of around 5.3 judgment on the likely on monetary policy two per cent, the average for the weeks ago, the central bank second half of this year, is stage in the last few years. tighten or ease before the at which wage pressures will spill over into the rest of ably already be too late.

sures - a tight labour market - can go on much longer As the Fed's chairman, Mr defying the logic of history rising wage costs. An unem-



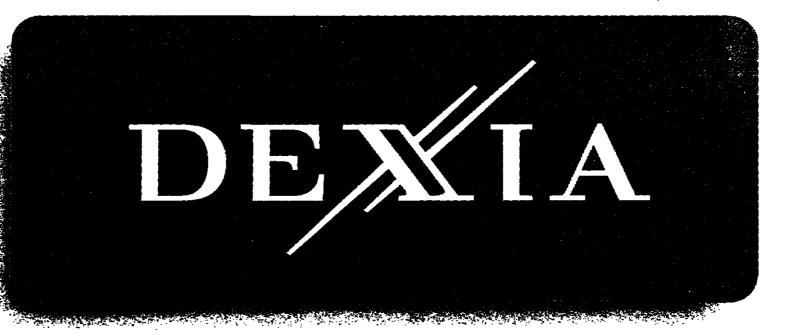
Dexia, the European banking group born out of the merger of Crédit Local de France and Crédit Communal de Belgique.

Dexia is the fruit of the pooling of the values, skills and financial means of two credit institutions:

- Crédit Local de France, a leading financial partner of local communities in France with a network of establishments in Europe and in the United States.
- Crédit Communal de Belgique, a leading bank in the local government sector, Belgium's leading retail bank and the majority shareholder of the Banque Internationale à Luxembourg.

A European banking group with total assets of USD 200 billion.

With USD 8 billion in equity and total assets of USD 200 billion, Dexia's financial health will enable it to enjoy rapid international expansion. The complementary nature of collecting deposits and refinancing on international markets ensures Dexia the financial means for its development.



The European banking group, the leader in financing public services, has been born.

A solid group, involved with its partners.

Quoted on the Paris and Brussels stock exchanges, Dexia will be announcing its results starting in 1996. For the first half of 1996, it has already posted a combined net profit of more than USD 340 million. Anxious to offer its shareholders the best investment, Dexia will pursue an active dividend policy.

A group which finances the living environment with nearly USD 20 billion in new loans each year.

Public transport, motorway infrastructure, facilities for education, health, telecommunication, environmental protection, power supply, home improvement - needs are considerable the world over. Dexia, specialized in financing community facilities and in financial services for public administrations, will be seeking to develop all branches of the banking profession in order to offer the best-adapted banking products and services to its clients throughout the world.





WORLD TRADE NEWS DIGEST

US modified maize 'is safe'

Three European Union scientific committees have advised that genetically modified maize is safe, clearing the way for the Commission to approve its sale tomorrow. The advice allows.Mrs Ritt Bjerregaard, European commissioner for the environment, to propose approval of the maize in the EU. The only condition advised by the scientists is that member states should monitor what effect the maize has on the resistance of insects to

However, EU officials said a decision to approve the maize could still be blocked. "The scientists have done their work. Now its down to politics," said one. The Commission delayed a decision earlier this year because of increased public sensitivity in the EU over food safety in the wake of the mad cow crisis.

A positive decision would ease tensions between Brussels and Washington. The US has grown increasingly frustrated over the drawn out decision-making process in

The maize was genetically modified by Ciba Geigy, the Swiss chemicals company, to be resistant to the European corn borer pest. Environmental and consumer groups argue that the antibiotic resistant gene in the maize could be transferred to bacteria in animals and humans.

They also argue the maize could lead to the development of a new strain of insects resistant to some Caroline Southey, Brussels

Japan to cut whisky tax

The Japanese government has decided to lower the tax on whisky by 58 per cent from next October and raise that on the national drink, shochu, by between 1.6 and 2.4 times over five years in order to comply with a ruling by the World Trade Organisation, the ministry of finance said

The plan, approved by the government yesterday, is expected to be accepted by the EU, the US and Canada within the next few days and to end years of friction over Japan's liquor tax system.

The three countries referred Japan's liquor tax system to the WTO, which ruled this summer that Japan's liquor tax regime discriminates against foreign spirits such as whisky and cognac. Japan was told that it should reduce the differences between taxes on these spirits and shochu

Thailand puts off tariff cuts

The Thai government has decided to postpone tariff cuts on certain petrochemical products, especially those related to the plastics sector, for at least a year, officials said yesterday. Tariffs of 30 per cent on polyethylene, polypropylene, polyvinyl chloride, polystyrene and acrylonitrile butadiene styrene will remain in place until the beginning of 1998. These tariffs were originally scheduled to be cut to 20 per cent in January.

Since announcing a package of tariff cuts in late 1994. Thailand has scaled back its ambitions on many raw materials whose industries are just starting up in the Ted Bardacke, Banakok

UK loan for Vietnam plant

Commonwealth Development Corporation (CDC), the UK's overseas development finance organisation, is expected today to sign a \$15m loan for a sugar project in Vietnam, its first investment in the country. The eight-year loan is to finance Sucrerie Bourbon de Tay Ninh, a \$95m joint venture sugar refinery in Tay Ninh province, north of Ho Chi Minh City.

The partners in the venture are Reunion-based Groupe Sociétés de Bourbon, and local partners Tanisugar and m will be lent by World Bank affiliate the International Finance Corporation, which is already involved in about 10 projects in Vietnam.

The plant would be operational by January 1998 and will produce 100,000 tonnes of refined sugar a year, as well as 44,000 tonnes of molasses. Jeremy Grant, Hanoi

Bertelsmann in China venture

Bertelsmann, the German media group, and Shanghai Scientific & Technical Publishers have signed a letter of intent to establish a publishing company in China. The joint venture. in which Bertelsmann will hold 49 per cent and have operational control, will be based in Shanghai and will initially concentrate on technical and scientific books. A magazine publishing operation, to be overseen by Bertelsmann's subsidiary Grüner + Jahr, is also

The joint venture is the first such co-operation between a Chinese and a foreign company, according to

Renault signs Iran cars deal

Renault said yesterday it had signed an agreement with the Iranian carmaker Kish Khodro to deliver parts for a new Iranian multi-purpose vehicle scheduled to go into production in 1998. Renault said that the agreement entailed the delivery of parts from the Megane car collection, including 1.6 litre engines and gearboxes.

Kish Khodro is 51 per cent owned by private Iranian investors, 40 per cent by an Iranian state bank, with the rest in the hands of a British engineering group, BMS Management, which designed the vehicle. Reuter Paris

Efta in Palestinian accord

The four members of the European Free Trade Association (Effa) yesterday signed a trade co-operation agreement with the Palestine Liberation Organisation (PLO) intended to pave the way for a free trade deal with the Palestinian Authority. The agreement also provides for a continuation of the preferential terms for two-way trade that existed during Israeli occupation of the Palestinian self-rule areas, under Efta's free trade pact with Israel.

Efta, whose members are Norway, Switzerland, Iceland and Liechtenstein, also has free trade agreements with Turkey and 10 central and eastern European countries, and co-operation agreements with Morocco, Tunisia and Frances Williams, Genevo Egypt.

Spanish carmakers gloomy on exports

Saturated car markets in Europe are threatening Spain's export performance and growth prospects for its motor industry, the motor manufacturers' association Anfac warned yesterday.

exports this year were expected to show only a fractional rise of 0.13 per cent to 1.54m units after an increase of 14 per cent last year. This stagnation marks a break in the European Union countries.

growth trend of Spanish car rupted only in the recession mance of car companies in of 1992-93.

As a result, output of cars by multinational groups in Spain will show a drop of just over I per cent to 1.94m for the year, according to The association said car Anfac forecasts. Mr Luis Valero, the association's new managing director, blamed the trend on the Spanish industry's overwhelming dependence on sales to other

exports, previously inter- the improved export perfor-Germany and France, the two principal EU producers. producer, is far more dependent on exports than its rivals, sending almost 80 per cent of its output abroad and obtaining almost a quarter

> The likelihood of any new carmaking facilities being located in Spain was called

Opel España and Aniac president. Instead, manufacturplants in the face of competition from countries such as Korea, he predicted.

of its export revenues from vehicles and components. Spain." he said.

The trend contrasts with into question by Mr Juan tions in Spain have recov-José Sanz, chairman of the ered this year, with an trations, which peaked at General Motors' subsidiary expected increase of 8.3 per 1.1m in 1989. Next year is Spain, the EU's third largest ers would concentrate their satisfactory" for manufacturinvestments on improving ers. The industry is pressing the efficiency of existing for a reduction in registraand exports.

> "I very much doubt if new factories and new manufacturers will be established in Although new car registra-

cent to about 904,000, Mr expected to see a moderate Sanz said this was still "not tion taxes to rectify the balance between domestic sales

Anfac estimates there is market. This year's improvement followed an 8.3 per almost 53 per cent.

growth to sales of about

920,000 cars. Overall figures for the motor industry show an expected 3.4 per cent increase in vehicle production and a 5.8 per cent rise in exports. In sharp contrast room for a 30 per cent with the trend for cars. increase in the domestic exports of heavy vehicles are expected to increase by

The not so rough guide to the road

Haig Simonian on in-car info about where to eat and sleep

urope's motorists will soon be able to plan their routes, check out the sights and even compare hotels and restaurants without taking their hands off the wheel.

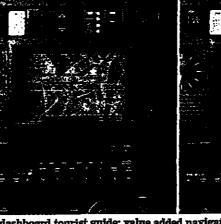
Navigation Technologies (NavTech), a US database and software house specialising in digital road-mapping, has signed an unprecedented deal with Michelin, the tyremaker which is as well known for its tourist guides, to incorporate information from Michelin's famous red tourist guides on the digital road maps it is making for in-car navigation systems.

The deal marks the first time a digital, navigable map will be enhanced with "value-added" information from a leading outside source. become commonplace as incar navigation systems gain acceptance among motorists and demand rises for not just route guidance but additional information.

The first of the new maps, incorporating Michelin's red guide to France, will be available from early next year for use on the navigation hardware made by TECmobility, part of Fiat's Magneti Marelli subsidiary. "Our new CD-Roms have enough room for a sizeable map and a point of interest database, like a tourist guide," says Mr Kevin Harris, Magneti Marelli's UK product manager.

However, Mr Ian Martin, NavTech's sales and marketing director, expects versions for other hardware manufacturers' in-car navigation systems soon.

NavTech and Tele Atlas, its arch-rival, are racing to complete digital, navigable maps of Europe's main roads and cities. The mapping is Such agreements may largely complete and the CD-Roms produced so far contain extensive information about roads, public buildings and entertainment facilities. However,



The dashboard tourist guide: value added navigation

added" of a guide book. NavTech has signed up Varta, publisher of the bestknown German hotel guide, and the UK Automobile Association, to provide tourist information for future digital maps, according to Mr Martin. Talks were also under way with the Italian Touring Club and other lead-

information, he said. Eventually, digital maps on CD-Rom could augment the information in printed guide books by providing maps on CD-Roms and pro-pictures of hotels and interi-cessed by an on-board comors of rooms or restaurants.

ing publishers of tourist

The market for maps on CD-Rom - some of which, like TECmobility's, can also be used on home computers and car navigation systems is expected to surge as more carmakers and electronics companies enter the field. The business in Europe has been pioneered by BMW

and Mercedes-Benz, which have offered Philips and Bosch in-car navigation systems respectively in their top models.

The systems work by plot-

ting a car's location against so-called global positioning system (GPS) satellites used for navigation by ships and aircraft. Once the location is confirmed via a satellite receiver and various onboard devices, including gyroscopes, it is checked against digitalised road

puter, usually in the boot. Motorists tap their destination into a dashboard monitor. Using the satellite receiver and the compact discs, the system tells the driver which way to go, usually via voice-synthesised ages such as "turn left in 100 metres".

main cities and motorways in Europe and the US have mostly from Japan. Howbeen mapped, on-board navi- ever, the number of Eurogation systems still have to pean manufacturers is now make a significant commercial impact. Such technology has, however, already proved extremely popular in Japan, with expected sales of

900,000 in-car navigation systems this year. Software and database houses, such as NavTech, say the main barriers to wider consumer acceptance have been the relatively high price of existing hardware and the absence of more "value-added" information, such as is available in a traditional guide book, on the CD-Roms. Demand has

Hardware prices have already started to fall as more electronics companies

also been restricted by a lack

of common standards.

already make systems. rising sharply.

Mr Martin said he expected NavTech, which is working closely with Germany's Bertelsmann group, to sign up more tourist publishers soon. The enhanced digital maps would be more expensive than the current series. which cost about £120 (\$199) for a basic CD and an update. However, he claimed the new products offered fair value for money in view of the additional information

Prices have also been kept down because many publishers have opted for a share of revenues, rather than upfront fees, and were willing to forsake immediate profits to break into on-board navigation, which they saw as a growth market, he said.

Bolivia link to Mercosur hit by last-minute hitch

By Geoff Dyer in Fortaleza

Officials of Mercosur, the four-nation Latin American trade grouping, were yesterday attempting to salvage an agreement to extend associate membership to Bolivia.

The agreement, due to be signed today by the Mercosur members - Brazil. Argentina, Paraguay and Uruguay - had been planned two-day heads of state meet-

However, objections raised by Argentina about Bolivlan wheat tariffs, which were to have been on a list of exceptional items for 10 years, have threatened to delay the

If a deal is signed by the heads of state tomorrow, it is unlikely to implemented by January as planned because it will take longer than expected to get legislative

approval. Officials also reported yesterday that slow progress was being made on key discussions about competition policy in Mercosur, on protection for struggling industries and on reducing tariffs

One of the sticking points in the negotiations has been the subsidies offered by individual Brazilian states to attract foreign investment. Bolivia's status in Merco-

of Chile, which signed an

associate membership agree-

ment in June. Full member-

ship for Chile has been ruled

of the difficulty of reconciling Mercosur's varied external tariff with Chile's lower and uniform 11 per cent import duty.

Bolivian president Mr Gonzalo Sanchez de Lozada has been eager to pursue an agreement with Mercosur. despite strong opposition from some local businessmen. The government argues that Mercosur is the as the centrepiece of a best way to attract investment and technology.

Membership of Mercosur would also cement its part nership with Brazil, which it is involved in a \$1.8bn project to build a gas pipeline. Mercosur is separately conducting talks with the Andean Community trading group, which includes Ecuador, Peru. Colombia and Venezuela, as well as Bolivia.

Mercosur members have reached agreement on other issues which will deepen the level of integration between member states. These include the opening of air transport in the four countries between 29 regional air ports, reducing bureaucracy at customs and the establish ment of a budget for the Mercosur secretariat, which is based in Montevideo, the

capital of Uruguay. Brazil chose the north eastern city of Fortaleza for the summit to try to emphasur would be similar to that sise that the benefits of the Mercosur free-trade agreement were not just felt in the south of the country, which borders the three out for the moment because other member nations.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

7.67 8.39 3.43 3.12 13.5 11.6 3.61 3.43 3.60 3.21 2.95 2.78 2.86 2.61 4.43 5.31 7.62 7.21 4.28 2.83 2.12 1.12 7.85 8.99 8.06 5.87 3.75 3.22 4.67 5.93 8.50 8.55 7.86 7.00 5.86 7.08 6.57 0.54 0.48 0.65 0.75 1.00 0.87 0.78 0.86 10.6 8.5 2.0 -0.4 1.4 2.9 3.2 2.38 2.21 2.18 2.20 0.81 0.76 0.72 0.75 5.89 5.89 6.70 6.77 12.9 15.5 15.7 13.4 2.88 3.16 3.24 3.11 4.9 9.5 10.5 10.6 0.43 0.49 0.49 0.51 3.2 3.1 3.8 3.5 6.32 6.17 6.47 6.34 4th qtr.1995 1st qtr.1996 2.24 2.26 2.17 2.19 2.20 2.18 2.17 2.25 2.19 12.8 14.7 15.7 16.1 15.8 15.5 16.3 14.3 -21 -26 -1.9 -2.4 -2.5 -2.4 -3.2 -3.9 4.2 4.5 5.8 5.8 5.1 4.7 4.3 5.63 5.42 5.15 5.31 5.38 5.39 5.48 5.53 5.42 3.2 3.1 2.8 3.1 3.0 3.3 3.8 3.7 3.7 0.42 0.45 0.50 0.51 0.49 0.52 0.46 0.55 2.86 3.10 3.19 3.18 3.23 3.28 3.19 3.27 3.14 0.77 0.75 0.75 0.77 0.71 0.72 0.71 0.74 0.76 6.3 8.2 9.7 10.6 10.6 10.4 11.3 10.8 3.94 3.62 3.35 3.36 3.33 3.29 3.38 3.29 6.07 5.90 6.18 6.44 6.39 6.45 6.57 6.48 6.30 2.5 3.7 5.9 6.7 7.1 7.5 7.2 7.8 8.2 1.97 1.88 1.86 1.91 1.88 1.87 1.84 1.85

Septemoer	-4.3	4.0	5.52	6.82	2.16	12.2	3.5	0.43	2.91	0.76	10.3	7.9	3.12	6.23	1.78
October	-4.9	4.0	. 5.43	6.54	2.08	11.5	3.7	0.43	2.75	0.76	12.0	8.3	3.12	6.00	1.73
November	-4.7	4.3	5,41	6.19	200		,	0.42	2.62	0.77			3.19	5.86	1.69
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	Harroys Money (201)	Brood Money (ASS)	Short Interest Parts	Lóng Interest Ratio	Hydry Heriot Yoki	Maryon Money (MT)	Breed Money (M2)	Short Intervet Rade	Long Interest Rate	liquity Market Yield	Herror Money (MC)	Broad Money (840)	Short Interest Rate	Long Interest Rate	Equity Martist York
1986	6.9	6.4	7.79	8.36	2,65	10.5	8.4	13.25	11,47	1.41	4.0	15.4	11.02	10.21	4.35 3.60
1987	4.1	11.5	8.63	9.46	2.75	10.4	9.6	11.32	10.5B	1.94	4.7	15.2	9.77	9.89	3.60
1988	3.9	8.3	7.94	9.08	3,69	. 7.8	8.5	11.24	10.54	2.71	6.8	17.3	10.41	9.62	4.4B
1989	7.5	10.0	9.40	8.79	2.88	7.1	9.3	12.42	11.61	2.46	5.9	17.6	13.96	10.11	4.36
1990	3.8	9.3	10.32	9.92	3.19	` 9.3	10.1	11_98	11.87	2.84	5.3	16.1	14.82	11.56	5.07
1991	-4.9	24	9.62	9.03	3.58	7.3	8.5	11.83	13.20	3.45	24	7.9	11.58	10.08	4.97
1982	-0.2	5.4	10.36	8.57	3,55	6.9	· 7.7	13.86	13.29	3.63	24	5.1	9.74	9.09	4.91
1993	1.8	-22	8,55	6.75	3.21	.4.7	7.4	10.22	11.23	2.35	4.9	3.5	5.99	7.40	4.01
1994	2.9	0.7	5.84	7. 2 1	2,99	.6.6	5.1	8.48	10.56	. 1,57	6.4	5.0	5.57	8.01	3.94
1995	8.4	4.7	6.60	7.53	3.17	0.2	0.4	10.38	12.22	1.72	5.9	7.2	6.77	8.16	4.15
4th qtr.1995	8.4	4.7	6.14	7.10	3,25	0.5	1.9	10.60	11.59	1.77	5.5	9.4	6.71	7.77	4.04
1st atr.1996	7.5	3.3	4.47	6.55	3,10	-0.8	2.5	9.88	10.57	1.74	5,7	10.1	6.28	7.72	4.15
2nd qtr.1996	7.1	1.0	3.95	6.51	3.02	-0.7	3.6	9.01	9.89	2.24	6.6	9.9	6.06	7.72 8.06	4.08
3rd qtr.1996	5.2	-0.6	3.86	6.35	3.16	1.4	4.1	8.59	9.38	2.49	7.2	9.4	5.83	7.85	4.13
December 1996	8.4	4.7	5.60	6.76	3.23	1.3	2.5	10.51	11.18	1.74	5.9	8.8	6.57		
January 1996	5.3	4.0	4.70	6.44	3.08	0.4	2.6	10.01	10.47	1.86	5.4	10.5	6.45	7.46	4.04
February	4.3	3.0	4:42	6.58	3.11-	1:2	. 24	9.84	10.54	1.67	6.2	10.0	6.45 6.24	7.41	4.19 4.06
March	7.5	3.3	4.27	6.64	3.1D	-1.8	2.3	9.80	10.71	1.90	5.6	9.8	6.14	7.72 8.05	4.19
April	4.2	1,9	4.00	6.51	3.02	-1.8	2.6	9.52	10.35	214	5.8	10.0	6.09	8.05	4.02
May	5.8	1.8	. 8.90	6.46	3.02 3.01	-0.5	3.8	8.84	9.72	2.25	6.4	9.9	5.12	8.09	4.08
June	7.1	1.0	· 3.98	6.56	3,02	0.2	4.4	8.65	9.59	2.33	7.5	9.8	5.94	8.05	4.15
July	4.4	0.2	3.84	6.46	3.15	. 0.6	4.3	8.66	9.45	2.46	7.1	9.0	5.94 5.80		4.21
August	6.8	· -0.1 -	3.98	6.35	3.20	1.8	4.4	8.70	9.50	2.48	7.5	9.4	5.84	7.91	4.12
September	5.2	-0.6	3.75	6.24	3,13	1.9	3.7	8.39	9.19	2.53	7.0	9.9	5.87	7.82	4.06
October	5.6	-0.4	3.51	5.97	3.00	. 3.2 .	3.5	7.98.	8.34	233	7.4	10.8		7.81	
November		·	8.47	5.84	290			7.39	7.72	2.28	7.5	. 10.0	6.02 6.40	7.51 7.56	3.93 4.00
Monetony county -	ف سمطم سمد		b					-	— <u> </u>						

ary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to this saily adjusted scales except for Japan and italy, German monetary statistics now form a continuous pen-German sedes. Monetary data supplied by Datastream and WEFF control bank sources, Interest rates short-term, period everages of US = 90-day commental paper, Japan — 3-month certificates of deposit, Garmany — 3-month Pibor, Italy — 3-month Euro-tim, UK — 3-month Ubor; Iong-term, period everage, yields on 10-year benchmark government bonds. Interest rates supplied by market yield: period sverages of the gross dividend yield on the relevant FT-A world Index.

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'Collateral Damage' starts on Saturday, December 21.

On December 21, the Financial Times begins an exclusive five-part serialisation of a new thiller by Peter Tasker, the acclaimed mystery writer. Follow the clues as the story weaves a complex and intriguing web across several continents, and guess at the final twist in the tale.

Readers will be invited to pit their wits against the author to better his final line and win a hand-picked FT hamper. The Financial Times.

FT at Christmas. It would be a crime to miss it.

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FINANCIAL TIMES TUESDAY DECEMBER 17 1996

THE NETWORK IS THE COMPUTER **

our way

24

Market intends to remain independent and become European centre of energy trading

Petroleum exchange scorns Liffe merger

By Simon Holberton in London

The International Petroleum Exchange has rebuffed suggestions that it might merge with the London International Financial Futures Exchange. It plans to remain independent and become the centre of energy trading in

Liffe is the one of the world's top the London Commodity Exchange in September. The IPE was surprised when Mr Jack Wigglesworth, chairman of Liffe, said itself as the leading exchange spe-

tial takeover target for Liffe. A meeting last week of the IPE's board determined that it was the membership that the IPE remain

Jones, the IPE's chief executive. "The group thought that this would put an end to speculation about Liffe 'taking over' the IPE, five futures exchanges. It took over speculation which has been unwelcome to Liffe as it has to the IPE." he said. The board had also decided that the exchange should position

The exchange's business is dominated by Brent crude oil and gas "clear and strong view" of the oil trading. At the end of next month it will introduce a futures independent, said Mr Lynton contract for gas.

It hopes to expand gas trading opportunities towards the end of next year with a Buckton contract which it hopes will develop into a might be opportunities for the IPE Ruropean gas futures contract. The gas interconnector with mainland Europe comes ashore at Buckton in north-east England.

Mr Jones said the exchange from those among the energy

deregulation of European energy

It would also look at developing its core areas, such as futures and options contracts for petrol and heavy crude oil. Mr Jones said that, with the deregulation of the electricity supply in 1998, there to introduce financial instruments for the trading of electricity.

As part of a strategic reappraisal the IPE will create a group, drawn

recently that the IPE was a poten- cialising in the trading of energy hoped to develop a product range industry which use the market, to to take advantage of the coming advise the exchange on the sector's developments and future product

> It also decided to expand screenbased trading, to extend trading hours and resolved that new contracts would be traded electronically rather than on the floor of the

> The IPE, which has a membership of 45, has an annual turnover of about \$338.7bn; Brent crude oil contacts amount to \$236.9bn.

> > Fund

dealing

offered

By Nicholas Denton

Flemings, the UK invest-

ment banking and fund

management group, has decided to enable retail customers to deal in its

The company said it

would permit clients to open

an account over the Internet

and thereafter buy, sell or

switch between 28 equity

funds and five moneymarket funds in its Flagship

A prospective client must

apply on paper to deal on-line and receive a credit

limit. The user can then make or unwind invest-

ments without the need for

voice or written communica-

Of the 3,600 independe

financial advisers who act

as intermediaries between

Flemings and individual

investors, the fund management company esti-

mates that 70 per cent have access to the Inter-

In the financial services

sector, the Internet's first significant impact has been

in discount retail stockbrok-

ing. E*Trade, a four-year-old US venture which offers

only an electronic service.

has undercut traditional

brokers by charging \$14.95

More recently, US invest-

ment banks have begun

delivering research over the

Internet to institutional cli-

One of these, Montgomery

per trade.

investors.

funds over the Internet.

In London

Market Report, Page 26

OECD urges cut in state borrowing

By Graham Bowley, Economics Staff

The UK is set to enjoy its best period of sustained growth and low inflation for 30 years, the Organisation for Economic Co-operation and Development says in its latest report on the country.

But it calls for "significant further progress" to cut borrowing if the government is to achieve its target of bring-ing the public-sector borrowing requirement into balance in the coming years.

The organisation, which acts as a free-market thinktank for industrialised nations, says that GDP growth is set to strengthen next year, helped by stronger consumer spending and a pick-up in investment.

The OECD predicts GDP growth of 3.3 per cent in 1997 and 3 per cent in 1998. This would be faster than in the US, Japan, Germany, France and Italy. The report says only Canada among the Group of Seven - consisting of the world's leading industrialised nations - is forecast to achieve faster growth.

and George Parker

Mr John Major, the prime

minister, conceded yesterday

that the UK's relationship

elected in the general elec-

Reporting to the House of

Commons on the EU summit

in Dublin, Mr Major sald

that choices to be made next

June on a revised EU treaty

"will determine not only the

Europe as a whole, but

Britain's relationship with

This was seized on by

Eurosceptic backbenchers in

his party as a sign that Mr

Major would be prepared to

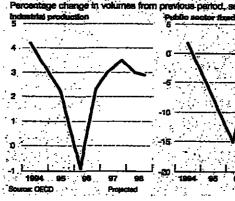
contemplate leaving the EU

if it moved towards federal-

ism. However, close col-

leagues of the prime minis-

GDP to grow faster than in US and Germany



cast to fall to below 7 per cent of the labour force in 1998 - its lowest level in cent, the upper limit of the eight years.

But this would not be low enough to fuel wage pres-sures since it would still be above its long-term structural rate, which the OECD predicts will decline to 6.5

no longer opposes in princi-ple the notion that the UK

should withdraw to the

with the European Union his blessing to the creation in free trade." said an influ-

move farther down the road

nently cast in the role of

closer links," said a senior

member of the government.

ated the debate on the need

future development with a

speech made two years ago. The concept has recently

been sponsored by the

French and German govern-

veto over any specific initia-

ter said this was the wrong tives by other countries to the herds are in Northern interpretation. Instead, Mr move closer together. The Ireland.

He made clear yesterday

"We cannot be perma-

to political integration.

was likely to change funda- of a new flexible structure

mentally next year if the for the EU, which would

success and stability of Mr Major believes he initi-

government's target range, in each of the next two It says wage growth has been "remarkably low" and

under control and that infla-

"healthy". "To date these are the The OECD takes a rosy most tangible signs of the view of monetary conditions, positive benefits of past and

benefits the UK now receives

from EU membership.

"There is no way we are

again dominated the battle

between the British political

parties. Mr Douglas Hogg.

agriculture minister, bowed

and ordered the selective

cull of about 100,000 extra

cattle in an attempt to per-

suade the EU to lift its ban

Mr Hogg said the cull would cost around £150m

(\$246m) and could be com-

pleted within six months. He

hopes it may lead to an even-

tual lifting of the ban on

exports from herds certified

"mad cow disease". Many of

ential minister.

Major was signalling that he aim would be to preserve the

kicking against the aspira- to pressure from farmers

for "flexibility" in the EU's on British beef exports.

that the UK would retain its as being free of BSE, or

tions of other members for and Northern Ireland MPs

UK unemployment is fore- sures are likely to remain reforms and a stable macroeconomic policy frame-work," the report says. tion will be below 2.5 per

> mance can be achieved, according to the OECD, with only a small rise in base rates in the second half of next year "to lock in low that productivity growth is inflation levels".

It predicts that short-term interest rates will rise to second half of 1997 and predicting that price pres- ongoing microeconomic remain there through 1998.

But while private-sector investment will gather pace as the economy strengthens, the OECD predicts that

fall sharply. Only some of this decline will be offset by private-sec-tor investment administered under the private finance initiative.

It predicts public investment will fall by 4.6 per cent next year following a 13.6

Premier says nation's | Veto threatened EU status may change over fish quotas

By George Parker, Political Correspondent

The government yesterday fringe of Europe's future going to move the clock back set out proposals for development. He was giving so that our only interest was fundamental changes to the European Union's Common Fisheries Policy in an Mr Major's statement attempt to defuse fierce criti-MPs and Eurosceptics in the governing Conservative

> Mr Tony Baldry, fisheries minister, said Britain would press for an end to the so-called "Hague Preference" agreement under which Northern Ireland fishermen have recently lost fish quotas to their counterparts in the Republic of Ireland. He insisted that Britain

would veto any deal at the EU's intergovernmental conference until the practice of "quota hopping" - whereby about 150 Spanish and Dutch boats operate against British quotas - is stamped out. Mr Baldry, opening the annual House of Commons

for a decentralisation of the CFP so that quotas could be decided at a local level by regional fisheries commit

"The CFP is overbureaucratic, it has failed to protect fish stocks sustainaabove all - it is not fair to British fishermen," he said, Mr Baldry's main concern

Securities, plans to measure in last night's debate was to the popularity on the Interreassure MPs in the Ulster net of different reports Unionist party, the largest and reward its analysts anti-nationalist party in accordingly. Northern Ireland, that he The fund management was tackling the concerns of industry in Europe, after their local fishing industry. lagging behind, is now making more use of electronic announced an international quota swap which would primarily bene

Mr Baldry said there were

Fidelity Investments, the US fund manager, offers cli-ents and intermediaries in fit the Northern Ireland industry. Despite the prevailing air Europe on-line access to valof gloom hanging over the nations for all its products, British fishing industry, albeit only to users

signs that the fortunes of the ware on their personal national fleet were improvcomputers.
Flemings' Luxembourg business, which runs the pan-European funds, first began posting performance data on funds on the Internet last year.

who install special soft-

By reducing printing and postage costs by about onethird and generating about 150 sales leads a month, the move improved monthly operating profits by about £20,000 (\$32,800).

Electronic Share Information, the UK venture which designed Flemings' new dealing service, itself provides prices on about 2,600 unit trusts as well as individual securities but has generated little more than 1,000 on-line

UK NEWS DIGEST

Murdoch TV row deepens

The Cable Communications Association may challenge in court yesterday's Office of Fair Trading decision to approve a new pricing structure for the industry. The OFT enraged cable operators by accepting a new rate card proposed by British Sky Broadcasting, the satellite television venture in which Mr Rapert Murdoch's media con...

glomerate has the biggest stake.

The rate card controls what BSkyS is able to charge the cable companies for its television channels and thus affects what cable operators charge their customers. The cable industry is also considering complaining to the European Commission because of what it sees as anticompetitive behaviour by BSkyB. The increasingly bitter row between BSkyB and the cable companies which are, in effect, retailers of its services to households without satellite dishes, stems from BSkyB's terms of trade.

Earlier this year, the OFT cleared BSkyB of abusing its market dominance but sought a series of informal undertakings and asked BSkyB to produce a new ratecard. The BSkyB share price rose by 18 pence yesterday to 489% pence in London yesterday.

CABLE BROADCASTERS

BBC in talks on new channels

The BBC, the public service broadcasting organisation, is in talks with the cable industry on the possibility of offering eight new television channels to cable operators on an

The channels are being planned as part of a joint ven-ture with Flextech, the cable and satellite programme company controlled by TCI, the largest cable operator in

A deal with Flextech and a related agreement with Discovery, the documentary channel in which TCI has a 49per cent stake, are on course to be completed by the turn of the year. BBC executives say that negotiations are

going well.

The BBC has also been exploring a possible deal with British Sky Broadcasting. BSkyB has a particular desire to attract the BBC channels as part of its strategy to launch up to 200 channels of digital satellite television in the UK before the end of next year. Raymond Snoddy Editorial Comment. Page 17

ARREST WARRANT

Barred executive avoids court

A warrant has been issued for the arrest of Mr Roger Levitt, the former life insurance executive convicted of fraud, who has been living in New York for the past few months while under investigation by the British government's Department of Trade and Industry.

Mr Levitt, who has been disqualified from acting as a director, failed to appear in a London court yesterday to answer charges of being a "shadow director" of a boxing

The court agreed to a request from a government lawer for a warrant without bail. This allows Mr Levitt to be aken into custody immediately, if apprehended. In 1993 Mr Levitt was disqualified from acting as a

director for seven years after his insurance company, Levitt Group, collapsed in 1990 with debts of £38m. His sentence to 180 hours of community service in connection with the fraud sparked outrage in the City of London, particularly when Mr Levitt was photographed sipping champagne to celebrate the sentence.

A DTI spokesman last night said it is unclear whether

Mr Levitt could be extradited to Britain in connection with the charges.

AIR DEFENCE

'Virtual reality' bomber study

The defence ministry is to launch a £35m (\$57.4m) study into the replacement for the Royal Air Force's Tornado bombers, which are due to leave service in 2015. One option to be examined by the ministry is a pilotless air-craft, which would be "flown" with a virtual reality cockpit by pilots from command aircraft in airspace safe from

The pilotless aircraft could be much lighter without the crew's life-support system and would also be more manosuvrable, as the limits of the human body, rather than aircraft design, constrain the performance of modern

CULTURE

Sector employs nearly 500,000

The UK cultural sector employs nearly 500,000 people – or twice as many as vehicle manufacturing, says the Policy Studies Institute. Consumer expenditure on the sector in 1993/94 totalled 25bn (\$8.2bn) or 5 per cent of average fam-

Within that "high culture" - or the part of the market which appears to need subsidy to survive – accounted for £2.25bn, employing some 125,000 people, collecting on the way £1.7bn of support from government, municipal authorities, business, charities and volunteers.

In that year, there were as many visitors to museums, galleries and historic properties as there were to the cin-ema – while London theatres attracted audiences at least as large as those won by Premier League soccer clubs over the season.

NORTHERN IRELAND Explosives found near border

Security forces in Northern Ireland have found explosives in a vehicle abandoned in a field near Roslea, a small town close to the border with the Republic of Ireland, police said yesterday. The vehicle also contained booster tubes, into which explosives are packed before being deto-

SUITE W

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tasil.

Channel tunnel revenues at half normal level 13,000 and 15,000 telephone material damage and loss of will cost £50m at most, while bookings a day for journeys sengers on trains every day

By Charles Batchelor Transport Correspondent

Passenger trains through the Channel tunnel between England and France have been running at well below capacity, but Eurotunnel and Eurostar say they are pleased with levels of business since services resumed after the recent fire. Eurotunnel is the tunnel operator and Eurostar runs the pas-

could maintain its present level of traffic for many

already making payments to the company under this policy, the company said. Its own direct exposure is lim-

Eurotunnel has insurance The company estimates modified timetable, Eurostar cover of £550m (\$900m) for that repairs to the tunnel has been taking between

revenues. With the level of replacement of the freight services bringing in just shuttle damaged in the fire over half the normal will cost £10m to £15m. monthly revenues of £45m, Claims to cover damaged the company believes it trucks and their contents may cost £5m, compared with the £180m third party cover taken out by the company. Part of these claims may be passed on to the insurer of the owner of the

truck where the fire started. After initial problems in re-allocating bookings to its

10 days ago. with weekend peaks,

in January and February. It has carried between 55,000 and 60,000 passengers in total since resuming services Eurostar has been given priority for its trains by Eurotunnel and is running 90 per cent of normal

services. It hopes to add two extra trains on Fridays from the end of January to cope Eurotunnel said it had been carrying about 3,000

averaging out the busy daytime shuttles and the quieter night time service, it estimates trains are half full. fire aboard a freight shuttle on November 18 have focused attention on shuttle design although, unlike their freight equivalents, the passenger shuttles are enclosed.

since it restarted its car

shuttle service last Tuesday.

It is running three trains

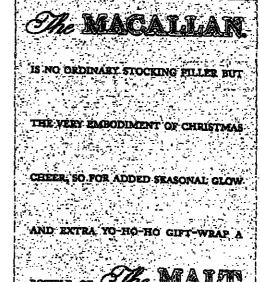
every two hours and, after

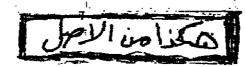
 \mathscr{A} delivery man



- d









Guess which company can take you where you want to go on the Internet?



TECHNOLOGY

s telecommunications monopolies crumble around the world. policymakers are keen to encourage competition not hist in long-distance services but also in the more difficult area of local networks. New radio technology could help by allowing smaller companies to bypass the copper wires of incumbent operators and offer a richer range of services.

Recent developments in technology could rewrite the competition rules by allowing new operators to install fixed wireless links that can reach users more cheaply and quickly than conventional wireline connections.

The local loop - the copper wires that link homes and offices to their exchange - has traditionally been one of the most expensive, least profitable portions of the telecommunications network. In rural areas, lines can cost 15 to 30 times as much to install as in

The US, which has had competing long-distance providers for decided to open the local loop to competition by ending the local monopolies of the seven "Baby Bells". The European Commission is also keen to encourage

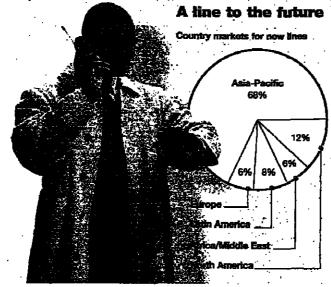
alternative local loop providers. Traditional copper wires can-not easily carry the advanced services that telephone companies want to offer, although researchers have discovered ways to increase the data-carrying capacity. Optical fibre is ideal for broadband services but is too expensive to stretch to every home and office.

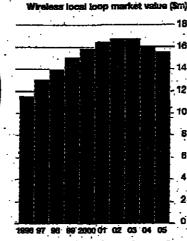
Coaxial cable is a more realistic local loop option. It has greater capacity than copper and extensive coaxial networks exist in countries with cable televi-

It is technically simple to upgrade these cables to carry telephone calls, although TCI Communications, a leading US cable TV company, estimates that it would cost more than \$200 (£122) a home to do so.

Investors have recently turned against the cable TV companies and their ambitious plans to compete with the Baby Bells in local telephone services. The economies of scale of "wireline" - copper or cable - local loops strongly favour the incumbent operator. Newcomers must build their networks from scratch and digging streets is costly and time-consuming. Payback times are long and only 25 per cent of the homes passed will typically switch to the new operator.

Radio has been used to bring telephone services to rural areas for many years. This continues to be the main market for wireless





Another wave

Radio advances are helping small companies compete in local network telecoms, says Geoff Nairn

local loop (WLL) technology, par- rich and innovative". Each custicularly in developing countries, but analysts believe WLL is an increasingly attractive option for new operators seeking to enter developed markets.

"The cost of entry is much less than digging up roads," says Adrian May, a consultant with analyst Ovum, which has published a report on WLL. It forecasts the worldwide WLL market will grow from \$11.2bn this year to \$16.5bn in 2001.

Ionica, a new UK operator, is building a nationwide network using WLL to provide its local loop. The company says the cost of connecting each home is just 10 per cent of using wireline con-

Analysts say the cost differential depends on various factors but accept WLL is generally cheaper and quicker to install than copper infrastructure.

WLL technology was once hasic, with poor voice quality, but today's systems can provide services that are indistinguishable from or better than those of the incumbent wireline operator. Atlantic Telecom is a small UK company that is building a WLL

network for 750,000 potential users in the Strathclyde area of Scotland by the end of next year A limited service was launched in October and Graham Duncan. the chairman, believes the com-

pany can compete with British

Telecommunications, the domi-

nant operator, by being "feature-

tomer gets two telephone lines as standard. Other benefits include voice mail, portable numbers, local-rate calls within Scotland and, next year, high-speed ISDN access to appeal particularly to Internet users.

Atlantic Telecom was once a cable TV operator but has decided WLL is a more costeffective method of entering the telecommunications market. Unlike cable you do not need to

Wireless local loop technology was once basic but can now provide high quality services

pass people who do not want the service," says Duncan, who says it costs the company just £35 to connect each user.

WLL also appeals to established telephone companies that must expand their networks to meet government targets. South Africa is planning to install 1m new telephone lines in the next three years in once-neglected areas such as Soweto More than 50 per cent could be

realised with WLL, according to Tony Maher, head of access networks for Siemens, the German telecoms equipment maker. Siemens is bidding for this contract with a no-frills WLL system orders," says Ovum's May.

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based on digital cordless technology, but it is also developing a more advanced technology, called Broadband Code Division Multiple Access (B-CDMA), with US company InterDigital.

This offers better speech quality and higher data transmission rates, but is 30 per cent more expensive than established technologies, says Maher.

"The beautiful thing about B-CDMA is that it can handle raw data better." says Mark Lemmo, InterDigital's marketing vice-president. B-CDMA uses its radio bandwidth more efficiently, he says, and is better suited to dense urban areas than earlier WLL systems.

B-CDMA allocates bandwidth more efficiently than is the case with earlier wireless systems, so it can handle a range of traffic with different bandwidth requirements, from simple phone calls to high-speed Internet access. There is rapidly growing interest in accessing the Internet using wireless," says Lemmo. InterDigital hopes to demonstrate its technology early next year.

The US companies Lucent, Millicom and Qualcom are working on competing systems and WLL has become a bot-sector with investors. But analysts are cautions about these newer technologies. "Can these companies deliver working systems? That is the crucial issue for telephone companies that want to place

Andrew Baxter on an engineer who has helped to improve the quality of cellular networks

Business built on phone frustration

remembered as the man who liked the product so much, he bought the company. Others become so irritated by a product's performance probler that they build businesses around making them easier to

Nick Randall, for example, was an enthusiastic early user of cellular mobile phones. But he found the experience of poor reception and call "drop-outs" calls cutting out when transferring between adjacent

cells - frustrating. Randall, an engineer and former senior executive in the edical manufacturing sector, was to a better position than most to do something about it. In 1988 he had bought

Aylesbury-based Airtech, which made multicouplers for the Royal Navy. These allow simultaneous radio transmission over a wide range of UHF els using a single ant Randall believed the expertise

necessary to build multicouplers the ability to filter and combine radio frequency (RF signals - could be developed commercially. From 1989 to 1993 the company concentrated on products and RF subsystems for private mobile radio (PMR) networks, the sort used by police and emergency services.

"This was growing nice and steadily, and we were quite profitable," says Randall, "but we wanted to make the next step, into the cellular market." He created a special team from Airtech's engineers to look at how the company's technology could improve the performance of cellular networks.

The result was the masthead amplifier (MHA). Many base stations suffer from "link imbalance" - they can transmit a strong, clear signal further than they can receive weaker signals returning from the mobiles.

But an MHA, comprising a particularly sensitive filter and a low noise amplifier which select and boost the received signal, can act as a "hearing aid" for the base station. Installed immediately underneath the antenna, the MHA eliminates link imbalance and extends the reception area coverage. For the user, the result is

improved reception quality and a reduced number of call drop-outs. The service provider gets improved coverage from its existing network, says Randall, or can plan a new network with fewer base stations, reducing infrastructure costs.

Airtech developed a prototype MHA in 1994, and in the same year began a successful trial of the product with the Orange network in the UK.

This was a huge help for Airtech, says Randall: Orange was the first to use the high-frequency 1.8GHz to 1.9GHz range for networks known as

Cellular phone subscribers are expected to soar from 130m to 300m by 2000

PCN or PCS (personal communication networks or earvices).

These networks have more bandwidth than the older generation, lower frequency (800MHz to 900MHz) GSM cellular networks, but the signal cannot travel so far - potentially increasing the number of base stations required.

Airtech won its first orders early last year from manufacturers and PCN/PCS service providers in the UK and mainland Europe, and earlier this year established a subsidiary in the US to exploit a market that is predicted to expand rapidly following the recent award of PCS licences Airtech is not the only MHA

producer – others include Bricsson, Allgon and Forem ~ but Randall says "we like to feel we were the first to do this". In any case, there looks to be plenty of work to go round. The number of cellular phone

subscribers is expected to soar from about 130m worldwide today to 300m by 2000, and MHAs are a cost-effective way to improve coverage, says Kandall. On average, six MHAs are sold per base station - one for each antenna - and the whole package with accessories costs £6,000 to £8,000,

At Avlesbury, Airtech is producing 600 MHAs a week year. Total sales this year are likely to be at least £7.5m, including £5.5m to £6m from MHAs and related equipment, and could reach £17.5m next

challenges for Randall and his team. Developing the market by selling to the OEMs (original equipment manufacturers) and marketing the idea to the service providers - has gone better than Randall expected.

"There are only 10 main OEM customers worldwide," says Randall, "and we were able to build on the relationships we had developed in PMR."

some areas, such as the tuning and final testing of MHAs, the necessary skills were underestimated.

The investment in MHA pushed Airtech into the red in 1994 and 1995, and this year it expects a further loss of about £500,000, before the costs of this autumn's £10m placing on London's Alternative Investment Market.

But if sales do rise sharply next year, as projected, Airtech will be back in the black, and annual turnover of £100m by the nend of the decade is not unreasonable, says Howard Barrow, financial director.

family of MHA products will have been broadened. Launch of a range of MHAs compatible with existing GSM networks is imminent, while next year should see the arrival of MHA boosters, which amplify the transmitted signal as well as the incoming one.

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THE KOREA CHINA SUPER FUND LIMITED (IN VOLUNTARY LIQUIDATION) CHANCERY DIVISION COMPANIES COURT

NOTICE IS HEREBY GIVEN:-I. THAT at an Extraordinary General Meeting of the above name company, duly convened, and held on Finday 6, December 1996, the following Resolutions were duly adopted:

AS A SPECIAL RESOLUTION THAT the convenience of the second of the secon the company be wound up voluntarily.

AS AN ORDINARY RESOLUTION
THAT Messaw GJ. Cleaver and N.C.
Bodden of Emst & Young Cayman Islands,
be and are hereby appointed as Joint
Lequidators to the Company.

be and are hereby appointed as Joint Laquidators to the Company.

2. THAT the creditors of the Company are required on or before Jenerary Arth, 1997 to send in their names and addresses, and full pirticulars of their debts or claims to the Liquidators. In default thereof configura will be excluded from the benefit of any distribution made before such debts are powed, in the first instance claims should be sent by fac to Devot Faurelough, Enne 4 Young, Cayman Islands fix no. 1-345-949-8493), but a creditor may be required either to submit the original claim or sign a formal proof of debt in statusory form.

3. THAT pursuants to Section 144 of the Companyed a Heeting of the Company will be held on January 27th, 1997 at 10.01 am at the offices of Erns & Young, One Capital Place. Suchden Road, George Town, Guard Cayntan, Cayman Islands for the purpose of the winding up of the Company and any explanation thereof.

G.J. Clerver.

Dated this 10th day of December, 1996 in the High Coast of Justice, No. 006181 of 1996 Chancery Division Companies Count

IN THE MATTER OF

IN THE MATTER OF
THE COMPANIES ACT 1985
NOTICE IS HEREBY GIVEN that the Order
of the High Court of Justice, Chancery
Division, duted 27th November 1996
confirming the reduction of Share Pressum,
Account of the above company by £1,244,932
was registered by the Registers of Companies
on 3nd December 1996.
DATED the 13th December 1996. DATED the 13th December 1996.

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LEGAL NOTICES

No. 6951 of 1996 IN THE RIGH COURT OF JUSTICE

IN THE MATTER OF PERST CALL GROUP PLC and IN THE MATTER OF THE COMPANIES ACT 1965 NOTICE IS HEREBY GIVEN that a Petition was on 6 December 1996 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the

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to the High Court of Justice No. 006182 of 1996

Camery Division Companies Court

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AND NOTICE IS FUNCHER GIVEN that the said Petrion is directed to be board before the Registrar of the Compandes Court at the Rayal Courts of Justice, Scand, London WC2A 211. on 22 Jungsery 1997.

ANY creditor or shareholder of the said Company dealing to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose. A copy of the said Petriton will be familiated to any such person requiring the same by the under mentioned solicitors on payment of the regulated charge for the same. Couldens of 22 Tudor Screet London ECAY 011 Tel: 0171 S03 77777

NOTICE S HERSBY GIVEN that the Order of the High Court of Justice, Chamerry Division, dued 27th November 1996 confirming the reduction of Share Premium Account of the above company by £61,761,338 was reglatered by the Registers of Companies on 29th November 1996.

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NOTICE IS HEREBY GIVEN that Wedeyan
Assurance Society applied to the Secretary of
Sease for Trade and Industry on 2nd December
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LAW

BT loses

challenge

by British ally also substantially affect the ability of other undertakings to provide or operate telecoms services or net-

rights enjoyed

telecommuni-

"telecommunications organi-

It also claimed that even if

impose those obligations on

it, the principle of non-

discrimination required the

UK also to impose those obli-

gations on all operators

authorised to provide leased

Finally, BT argued that

the obligation to provide a

minimum set of leased lines

possessing certain harmon-

ised technical characteris-

tics, infringed the principle

of proportionality, since

there was no demand for

Mercury Communications

and Kingston-upon-Hull

Communications supported

The High Court referred a

number of questions to the

Luxembourg Court. It asked

whether the leased lines

directive was applicable to

"telecommunications organi-

sations" within the meaning

of the open networks direc-

tive, such that it applied to

public or private bodies to

which a member state had

granted special or exclusive

rights for the provision of a

public telecoms network or

The court was also asked

The court ruled that spe-

cial or exclusive rights were

generally granted by a mem-

ber state's authorities to an

number of undertakings,

otherwise than by objective,

proportionate and non-

to particularise the defini-

public telecoms services.

tion of those rights.

such services in the UK.

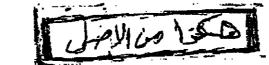
BT's challenge

The special discriminatory criteria.

international telecoms services or net-

cations gave it ical area under substantially

the status of a equivalent conditions.



tough enough for the job. A former

secretary for both transport and

the treasury, he is familiar with

the terrain. He has also had expo-

sure to the private sector, as a

director with Sino Land, one of the

territory's biggest property compa-

Genentech departure

A founder of Genentech, one of the

success stories of the US biotech-

nology industry, is leaving the

company to pursue other interests.

Robert Swanson, aged 49, started the company with Herbert Boyer in

Genentech, which unlike most

hiotechnology companies is mak-

ing money, is now majority-owned

by Roche, the Swiss pharmaceuti-

cal company, which has options to

buy the rest of the company. Swan-

son, who worked for a venture cap-

ital firm before founding Genen-

tech, plans to concentrate on his

Genentech as an adviser and con-

Swanson is being replaced by

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Company of the Compan

KPMG Corporate Recovery

Court of Justice ruled. BT had challenged the implementation of the direc-

sation" subject to the leased 100 public telecoms operalines directive, the European tors were notified to the **European Commission by** the UK as "telecommunications organisations" under tive in the UK. It argued that the open networks directive as it did not enjoy special or did not mean that the rights exclusive rights within the enjoyed by those undertakmeaning of the open netings had to be regarded as special or exclusive, but works directive, it should not be subject to the obligasuch notification raised a tions in the leased lines strong presumption that

Also, the grant of a licence the UK was entitled to did not give those operators special or exclusive rights within the directives. However, the licences then still held only by BT and

Such rights would gener

works in the same geograph-

The fact that more than

Mercury to operate international lines, were sufficient to constitute the grant of Oyvind Hushovd, 46, is special or exclusive rights. taking over as president and Those undertakings therefore had to be regarded as "telecommunications organisations" within the meaning of the directives If Kingston's licence was issued in accordance with

criteria which were neither

objective nor proportionate nor free from discrimination,

and gave it the exclusive

right to operate a public telecoms network in a specific area, it also had special and exclusive rights. The court concluded that a impose the obligations to has appointed Phil Condit. provide a minimum set of leased lines with defined technical characteristics on only some telecoms organisations. It was also entitled to impose those obligations only on those organisations

which were the principal

operators of telecoms lines

in each of the geographical

areas of its territory.

C-302/94: R v Secretary of State for Trade and Industry, ex parte British Telecom nications plc, ECJ FC,

undertaking or a limited December 12 1996.

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New chairman

Yeung Kai-yin, who takes over the

driving seat at Hong Kong's Kow-

loon-Canton Corporation (KCRC)

on December 24, is under no illu-

As chairman and chief executive

of the government-owned railway

company, he will be responsible for

both the agreed expansion - taking

the line up to the more remote

north-west New Territories - and

the proposed extensions that ran

aground amid complaints from Bei-

His predecessor, Kevin Hyde,

decided not to seek a further term

with the KCRC, as Beijing's wran-

gling over the proposed cross-bor-

der link intensified. Beijing has

objected to both the cost and Hong

Kong's failure to keep its officials

However, with Hong Kong's

broadly tipped to be localised;

advertisements post specified appli-cants with Cantonese, the dialect

informed of developments.

ON THE MOVE

chief executive officer of

Canadian nickel and copper

producer 46 per cent held by Noranda, Canada's biggest

Falconbridge, the big

sions about the size and difficulty nies. Louise Lucas, Hong Kong

change of sovereignty just six investments in other companies. months away, the position was He will continue working for

of Hong Kong and Southern China. Dick Munro, a former chief execu-

sultant

for the KCRC

of the task facing him.

resource group. He succeeds suddenly on September 25 while on a mine visit in Chile. Husboyd has been with Falconbridge for 22 years, including two stints at its Norwegian nickel refinery. He became executive vice-president early in 1995. member state was entitled to BOEING CORPORATION president and chief executive, as chairman with effect from February 1. The current chairman, Frank Shrontz, will retire having reached the age of 65. Shrontz becomes chairman

emeritus and continues to

■ Alan Ashton, founder of

resigned from the NOVELL

board of directors to pursue

appointed deputy managing

WordPerfect Corp, has

■ Myles Ruck has been

director of STANDARD

sit on the board.

interests in Utah.

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BUSINESSES FOR SALE

its treasury division. John Phillips, chief executive and president of METROMEDIA INTERNATIONAL GROUP, has resigned to pursue other business opportunities. ■ James Platt, 40, has been promoted to senior vice-president of corporate affairs for global media group NEWS CORP. ■ Hans Backman has been named executive vice-president of ELECTROLUX, responsible for industrial integration. For the last five years he has been president of Frigidaire and product line manager for Poulan/Weed Eater and American Yard Products. ■ Simon Hayes, head of Asian Equities at SALOMON BROTHERS, and Kee Young Im, chief representative of the firm's Korea office, have been promoted to managing directors. from January 1. ■ The board of ABBOTT LABORATORIES has elected six new corporate officers: Patrick Balthrop, 40, vice president, diagnostic operations, US and Canada; William Dempsey, 45, vice-president, hospital products business sector: Guillermo Herrera, 43.

vice-president, Latin

of South Africa's Standard American operations: Arthur Bank Investment Corp. Ben Higgins, 40, vice-president, Kruger becomes director of Pacific, Asia and Africa operations; and Thomas Watkins, 44, vice-president, diagnostic operations, Asia and Pacific. Edward Michael 39. becomes vice-president. diagnostic operations, Europe, Africa and Middle East, from January 1. ■ Andrew Simmonds succeeds Peter Fenichel as president of BZW SECURITIES (JAPAN). ■ Graham Paxton, managing director of out-sourcing and services company SIEMENS BUSINESS SERVICES, joins the international executive management board, with responsibility for non-German speaking Europe. He remains managing director of the UK mbsidiary. Chris Lees has joined

NIKKO SECURITIES in

Australia as an associata

director, capital markets.

having spent the last five

years with Nikko's capital

markets team in London.

■ Kees Rutten, 38, has been

executive board of FORTIS.

the Belgian-Dutch insurance

group, from January 1, and

executive board. He is

for retail banking and

"I'm very excited about assuming the chairmanship of a company like Genentech - it is the pioneer and pace setter of the biotechnology industry," said Munro, who joined the Genentech board in February 1988. Munro began his career with Time in 1957, having won three purple heart medals for bravery in the Korean war. Tracy Corrigan, New York

INTERNATIONAL PEOPLE

served on Genentech's board of

directors for the last eight years.

Seita joins Sega Yukifusa Seita, currently managing director of Pioneer (UK), has joined Sega, the Japanese electronic games company, as head of its European entertainments divi-sion. Although Sega is best known for its home entertainment business, the company also operates 25 amusement centres in Europe

in Piccadilly Circus, central Lon-As managing director of Sega Amusement Europe, Seita's brief includes finding sites for additional theme parks and developing new

markets for the company's large,

insurance activities.

■ Jürg Fretz is to hand over

including the flagship SegaWorld,

Switzerland's GLOBUS DEPARTMENT STORES to Georg Boesch, 56, from March 1. He retires from the group on August 31 at the age of 62. ■ Pierre Mariani. 40. has been appointed managing director of BANEXI, the merchant banking subsidiary of Banque Nationale de Paris. ■ Mark Weseluck rise to vice-president, banking operations at the CANADIAN BANKERS ASSOCIATION. ■ Ken Goldman, currently senior vice-president and chief financial officer of California-based @:Home Network, joins the board of

chief executive since 1986, has resigned to pursue other interests. appointed to the Netherlands ■ George Heilmeier has been appointed chairman and chief executive of BELLCORE (Bell is expected to join the group Communications Research). with effect from January 1. currently a board member of Saniiv Ahuia becomes president and chief Fortis Nederland responsible operating officer.

UNISON SOFTWARE.

chairman of EKCO GROUP.

the US housewares group.

Robert Stein, Ekco Group's

becomes chief executive.

■ Malcolm Sherman,

Young, 56, is certainly considered tive of Time Warner, who has sophisticated games machines. A top priority will be to improve

the performance of SegaWorld claimed to be Europe's largest indoor entertainment theme park which has had to overhaul its pricing policy in the wake of disappointing attendance figures since it opened in September.

Seita, 55, joins Sega after a long career with Pioneer, including a stint as chief operating officer of the consumer electronics company's US operations. While it is unusual for large Japanese corporations to swap top executives, Tokyo-based Sega is known for its open and entrepreneurial corporate culture, Simon London, London

Air India loses Mody The reigning maharajah of Air India and its domestic counterpart Indian Airlines, Russi Mody, has handed in his papers as chairman

of the loss-making carriers. The resignation comes just two years after the 78-year-old Mody. one of India's most prominent and colourful businessmen, was invited by Narasimha Rao, the former Prime Minister, to pilot the staterun airlines.

> Said as chairman of PERIISAHAAN SADUR TIMAH MALAYSIA (Perstima). Edward Staiano has been named vice-chairman and chief executive of IRIDIUM LLC. a private international consortium led by Motorola which expects its global wireless communications network to become operational in late 1998. Staiano is retiring as executive vice-president of MOTOROLA and president and general manager of its general systems sector. In a senarate move. Paul Hucq becomes vice-president and general manager, Asia Pacific, of Motorola information systems group. Giselbert Behr joins the the board of BERLINER BANK from April 1. He was

previously a director of the Düsseldorf branch of

Dresdner Bank. Andreas

Graf von Hardenberg and

Hammerstein-Loxten will

depart from the board on

December 31. Peter-Joerg

on the board and is

at Landesbank Berlin.

directors of BEATRICE

Klein succeeds Hammerstein

additionally a board member

David Rattee and David

Baird have been appointed

Christoph Freiherr von

Amin Shah Omar Shah

succeeds Mohamed Ngah

Once dubbed the "iron man of India" for his long stewardship of the Tata group's flagship. Tata Iron and Steel. Mody says he resigned out of frustration at internal resistance to efforts to bring the airlines into profitability and proposals to merge the carriers.

"When I was appointed, I was under the impression that I had been sent in to fix everything that had gone awry with the airlines. However, I was given no executive powers to do this and after two years of trying to change things and failing, I had no option but to resign," he says.

The new chairman – who is expected to be appointed early next year - will certainly have a full agenda. Top of the list will be finding the funds for the planned but long-delayed purchase of 23 medium-capacity, long-range aircraft to modernise Air India's ageing fleet.

The new chairman may also oversee a partial privatisation of the airline. Local observers suggest the Indian government's Disinvestment Commission has asked Air India to evaluate its assets in preparation for a possible sell-off of 40 per cent of the equity of the airline. Tony Tassell, Bombay

FOODS, the Canadian food

■ Stephen Orr, 42, becomes

at HOMESTAKE MINING,

the gold producer, from

vice-president US operations

manufacturing company.

■ David Rutledge moves to president of INGRAM MICRO Latin America. He was previously senior vice president of Asia Pacific, Latin America and Export Markets. Larry Elchesen, former president of Ingram Micro Canada, takes charge of the Asia-Pacific region. Robert Yohe, former vice-chairman of Olin Corporation, joins the board of LAROCHE INDUSTRIES, the US chemicals company. ■ Michel Haski becomes chairman of BIP GESTION, the institutional and fund management subsidiary of Banque Internationale de Placement (part of Dresdner Bank group).

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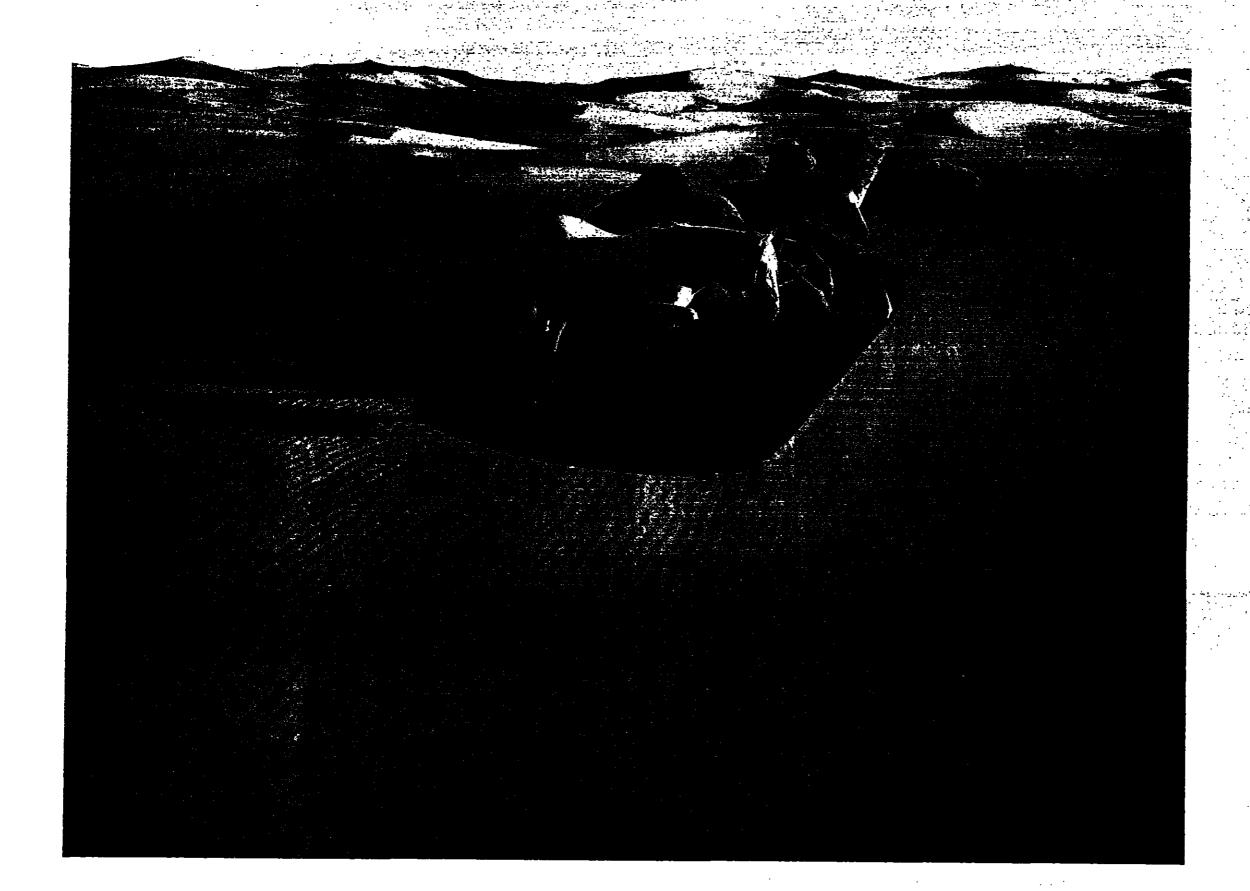
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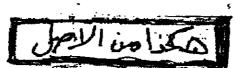
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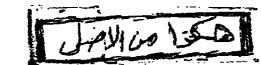
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ARTS

Symbolism in wood and clay

William Packer on the work of sculptors Nicholas Pope and David Nash

names in the 1970s. have shows in London at the moment of their latest work. Now 50 or thereabouts, they arrived on the same wave of young artists by which British sculpture, even then, was said to have renewed itself - a process which seems to happen once or twice a decade with the regularity of the tides. The idea that the bright young things of the moment -Hirst, Whiteread - have somehow revived British sculpture to international notice after long years in the doldrums marks only the short attention-span of the fashionable

Anyway, along with such nearcontemporaries as Richard Long and Barry Flanagan, they reacted against the abstract, heavy-metal sculpture of the Caro school of the 1960s, turning instead to natural materials and a more improvisatory response to them as they occurred in nature. Both enjoyed conspicuous early success, Nash with shows at the Serpentine, works in public collections and tours abroad, Pope, at 31, with the British Pavilion at the 1980 Venice Biennale.

avant-garde.

Since then, their careers could hardly have been more different. apostles, and each surrounded by its

icholas Pope and Nash has stuck to his last, or rather group of the simpler, wondering no less evident in the work of David David Nash, two sculp- to his saw, axe and bonfire, slicing tors who made their and scorching his way into the living wood as the form or circumstance suggests. He has continued to work consistently, developing within the given scope of his ideas, sustaining his particular aesthetic.

Pope, on the other hand, was always more various in his material and approach, and more minimal in his formal interests - now piling logs in precarious stacks, now building fences, now hacking chalk into primal lumps. And then illness brought his career to a shuddering stop. Rare viruses contracted on a working trip to Tanzania in 1982 affected both his brain and his physical ability to work. But by slow degrees he has mended, and what we see now at the Tate, in the Art Now studio gallery, is remarkable and moving testimony to his recovery.

It was his interest in the sculpture of the Makonde that took him to Africa, and the formal debt is openly acknowledged in the crowd or forest of hand-built terracotta totems presented here, each of them more or less of human size. But abstract as they are, these are all symbolic figures, with the 12 principals each with its more complex character of modelling to represent one of the

multitude. For these are the Apostles of the Pentecost, speaking in tongues, and each has his paraffin lamp for head, to carry those tongues of flame that were the inspiration of the Holy Ghost.

The lamps should be lit all the time, but at the moment they are lit only for 15 minutes at a time, at 11, 1 and 3.30 each day, with hope of more frequent intervals later on. Although impressive anyway, it is well worth catching one of these moments, for only then does the work at large take on its full narrative and symbolic point, with only the flickering flames to light up the darkened room, and the figures themselves seeming to move in the dancing

It is a highly theatrical piece, quite consciously so, the most obvious recent parallel, as it happens, the Trojan War cycle of Anthony Caro, with its similarly abstracted yet highly charged totemic figures. This open acceptance of any such reading is a new departure for Pope, and obviously founded on his late troubles. Pentecost, the visitation of the Holy Spirit, bespeaks a renewal of faith, self-discovery and a commitment to the future and the

The totemic and the symbolic are

Nash, though without so specific an association or narrative. His is a more elliptical approach, masked by immediate formal or structural concerns. But process and nature are always there, to take over the imagination the moment, as it were, that Nash half turns away.

A dish, beautifully improvised out of natural form, is balanced delicately on a deceptively crude, stoollike block, only to turn into a moosehead trophy that dominates the gallery. Logs hollowed out become vestigial boats. Improbably curved planks are pinned together, stood on end and inter-weaved to restate the trunk and growth of the tree. Fire sears and chars the rotten core of the split block. The saw opens out the living timber. Form reveals itself. The underlying preoccupation is with life, the natural cycle of renewal and decay.

Nicholas Pope - The Apostles Speaking in Tongues: Tate Gallery, Millbank SW1, until February 23: the 1996-97 Art Now program supported by the Henry Moore Foundation, the Patrons of New Art and an anonymous donor. David Nash - recent sculpture: Annely Juda Fine Art, 23 Dering Street W1,



Detail from 'The Apostles Speaking in Tongues' by Nicholas Pope



Stripped down to essentials: Le Cercle Invisible

Theatre/Sarah Hemming

"It's granny, mummy," as Jean Baptiste Thierrée took to the stage in Le Cercle Invisible at the Mermaid Theatre. It is doubtful whether the lady in question would have been flattered by the comparison to this ageing clown with the fanatical eyes, perpetual grin and mophead hair. But the child had a point. Pop a

circus in which he appears. Thierrée and Victoria Chaplin coffee pot on legs. have stripped the idea of circus right down to its essentials. There are no big tricks or flashy showpieces; the magic they are interested in is the power of the imagination to see

bonnet on him and Thierrée would

pass for the archetypal fairy-tale

granny. And that is part of his

charm and part of the charm of the

things differently. So Victoria Chaplin performs a series of scenes in which her costume takes on a life of its own. A dress becomes a dragon; a stack of chairs becomes a horse. It is very curtains could transform you into a

straight out of a fairy-tale, with her long dark hair and large, eloquent Continues at the Mermald Theatre, eyes, and the show has the feel of a London EC4 to January 12 (0171 236 fairy-tale - fascinating, but eerie. We 2211).

Some enchanted evening are in the childhood world where sofa can become a charlot but where

bears also lurk beneath the bed. While Chaplin wrestles with her costumes. Thierrée complements her with a series of absurdly comic scenes in which he bungles the magic tricks he tries to do. Twinkling and beaming, he strides onto stage with a suitcase of artifacts that never quite work as he intends. Meanwhile there are also scenes of purely surreal humour, at one point Thierrée sines opera through masks on his kneecaps; at another he is marched across the stage by a giant Even when the couple do perform

circus tricks, they undercut them with humour. As Chaplin goes through a hair-raising trapeze routine, Thierrée rushes on to assist her in a set of increasingly ridiculous wigs. As she dangles precariously from a high-wire by one foot, she wiggles the toes of the other as if waiting impatiently for a bus. And, having conjured up two rabbits and cleverly done, and whisks you back a squadron of ducks, the couple simto childhood when a couple of old ply leave the stage to them - the rabbits reading books, the ducks Chaplin herself looks like a waif syncratic and enchanting show.

Recitals in London

Straight Beethoven

London's Royal Festival Hall. Maurizio Pollini gave the second recital in his current series of all Beethoven's piano sonatas, except the pair of "little" sonatas Opus 49. It was a long programme - probably the longest of the entire cycle - and the first half, with three sonatas. Opus 10. amounted to 70 minutes of solid music. an evening's worth in itself.

Solid is the word. Pollini's capacity for concentration almost certainly exceeds that of his audience, and he seemed more committed and settled than in his opening recital nearly three weeks

It almost goes without saying that he gave classic performances, as powerful as Beethoven can have imagined, without any reduction

was just 16.

of dynamic range to suit the music's early date. Yet Pollini did not press expressive points unduly

either. Everything happened within a strictly disciplined continuity, whereas some great Beethoven specialists in the past might have let out the seams. In that sense, and in his adherence to the text. Pollini is a "modern" player, as the late Rudolf Serkin was, though be lacks Serkin's excitability and capacity for elation. After the interval, for

some reason Pollini lost some of his rhythmic poise and control over tempi. The fingers were as strong as ever, but in the first of the two Opus 14 sonatas, be tended to rush, letting the lovely central E minor Allegretto slip forward as if he could hardly wait to get on

sometimes cut short the last beat in a bar. Nor was the first movement of the genial G major sonata. Opus 49 no 2 entirely free from a tendency to gabble - possibly. Pollini over-estimated the clarity of the hall,

Or perhaps he had decided not to stay overnight, for he still had to play the Pathetique, put last, no doubt. because of its stormy passion. Stormy it certainly was, yet not exaggerated. If you like your Beethoven straight, Pollini's your man. But the more his head and hands have to do, the better he tends to be. So as he works his way through the canon chronologically, the prospects are promising: the last two recitals, in May and June, are likely to be the most rewarding of all.

Adrian Jack

f the plaintive voice of Greek Greece's most familiar musical export, the drareliefs matic contralto of Maria Farandonri is surely its most expressive; the com-

poser Mikis Theodorakis first identified her dark Theodorakis's setting of voice as the ideal instru-George Seferis's poem ment for his work when she Mythestorema, and its inspiring refrain: "A little higher, a little higher still". As if the voice's intrinsic imbuing the song with qualities were not enough.

there is the added resonance anthemic qualities. of Farandouri's political This was an evening engagement, which forced designed to illustrate the er into exile in 1967 when special way in which Greece fell into the hands of Greece's composers - chiefly Theodorakis and Manos a military dictatorship. Her performances of Theodorak-Hadzidakis - have interis's songs in the world's preted some of its greatest leading concert halls poets, Seferis, Nikos Gatsos, became a powerful symbol Odysseus Elytis, to bring of resistance during the juntheir not-always-accessible ta's seven-year reign. work to the lips and hearts

The combination of musiof a mass audience. cal intelligence and political With John Tavener introdfervour continues to weave ucing the concert, and Ruth Padel and Peter France proits spell, even during these much-changed times. At the viding translations and Queen Elizabeth Hall on Satexplanations, there was urday, she brought the evenplenty of help for the neu-

tral observer, though the betraved most of the audience's Greek origins. Farandouri never allowed

technical facility to compensate for emotional directness, asking demanding questions of her powerful instrument and answering most of them. Her bearing on stage is humble, modest. and she is meticulous in her conveyance of mood. After dedicating the Yiannis Ritsos/Theodorakis song "On These Very Marbles" to Melina Mercouri, you could feel her trumpeting first lines causing the very foundations of the British Museum

More pacific in tone was the London premiere of a pre-Byzantine hymn, transcribed from papyrus found at Oxyrinchus, haunting in its intensity, and Hadzidakis's playful setting of Aristophanes, a rare moment of light relief.

to tremble.

Peter Aspden

Concert/Richard Fairman

Gatecrashers come good

unday's concert at the Barbican was advertised as the London Symphony Chorus's 30th anniversary gala, but the choir will have been dismayed to find how difficult it can be to get star guests to come to the party. Even the week before, some of the soloists were still being sought and the only one who had been booked well in advance cancelled on the night.

Try to put on a big Verdi work like the Requiem and that is what happens, as any opera-house will tell them. There simply are not enough top-name Verdi voices to go round any more. A long, hard search will be needed to bring together a good

quartet and the chances are that it will have singers with smaller voices and from a wider range of nationalities than it would have done in

For its Verdi Requiem on Sunday, the London Symphony Orchestra searched from Hungary to Iceland. from the US to Albania. The quartet it found was heterogeneous, but youthful, interesting, and even blended fairly well. There is something to be said for picking promising singers on the way up and all four of these

clearly are. The soprano, Georgina Lukacs from Hungary, is due to sing Lady Macbeth at Covent Garden next summer and has a steady, liquid voice, with a slight edge, not huge, which she can easily move up and over the top notes. A few flashes of operatic spirit in her "Libera me" seemed almost out of place - it was not that kind of performance.

The surprise arrival was the Albanian mezzo, Enkeledja Shkosa, who took over at the last moment and

made her mark with a firm. bright mezzo, poised halfway between Rossinian brilliance and weightier Verdi punch. Stuart Neill is an American tenor of obvious accomplishments, a lighter version of Michael Sylvester. who gives good value and phrases broadly, his "Hostias" was sung in an affecting, if not very Italianate, head voice. The compact, dark bass of Iceland's Gudion Oskarsson is already known here and is on the

way to being a very effective

Hopefully, the London Symphony Chorus will not have minded being upstaged by these gatecrashers. That is in the nature of the Barbican's acoustics, which keep the choral sound well back, though their contribution seemed well rehearsed. Despite his long history in

opera, Colin Davis conducted a performance which was more sombre oratorio than excitable melodrama, underlining key moments in the musical structure with deep concentration (the lead-in to the "Lacrimosa" became a major event in itself). The LSO played well for him. It was a creditable evening all round, though "gala" is fast becoming a debased term.

works by Stravinsky, Haydn and Sibelius; 7pm; Dec 18, 20 (8pm)

cellist Ronald Leonard perform

■ NEW YORK CONCERT Alice Tully Hall Tel:

1-212-875-5050 Tokyo String Quartet: with planist Peter Frankl perform works by Schubert, Laderman and Brahms; 8pm; Dec 18

OPERA Metropolitan Opera House Tel: 1-212-362-6000

PARIS

DANÇE

Théâtre National de l'Opéra -Opéra Garnier Tel: 33-1 42 66 50

choreography by Rudolf Nureyev performed by the Ballet de l'Opéra National de Paris; 7.30pm;

EXHIBITION Musée d'Orsay Tel: 33-1 40 49

Gauguin's self-portrait "Autoportrait au Christ jaune" Christ jaune" from the collection of the Albright-Knox Art Gallery

and the 17th-century wooden crucifix from the Trémalo Chapel which formed its source of inspiration: to Jan 5

MUSICAL Théâtre du Châtelet Tel: 33-1 42 33 00 00

 Black and Blue: by Segovia/ Orezzoli. Directed by Claudio Segovia and Hector Orezzoli, performed by the Théâtre du Châtelet; Mon - Sat 8.30pm, Sun 2.30pm & 6.30pm, Sat also 4pm; from Dec 17 to Dec 23

VIENNA **OPERA**

Wiener Kammeroper Tel: 43-1-5120100 Dona Francisquita: by Vives. Conducted by Lluis Vila I Casanas, performed by the Wiener Kammeroper (in German). Soloists include Monica Thelss. Lorena Espina, Sulie Girardi, Lubica Gracova, Cesar Gutierrez and Hector Sandoval; 7.30pm; Dec 18, 21 Wiener Staatsoper Tel:

43-1-514442960 Madama Butterfly: by Puccini. Conducted by Friedrich Pleyer, performed by the Wiener Staatsoper, Soloists Include Coelho, Serdar, Halmai, Monarcha and Gati; 7.30pm; Dec 18

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INTERNATIONAL

Concertgebouw Tel: 31-20-6718345 Koninklijk Concertgebouworkest: with conductor Riccardo Chailly and violinist Jaap van Zweden perform works by Prokofiev, Bartók, Stravinsky and Rossini; 8.15pm;

BERLIN

Dec 18, 19

CONCERT Konzerthaus Tel; 49-30-203090 Berliner Sinfonie-Orchester: with conductor Michael Schoenwandt and violinist Guy Braunstein perform works by Ruders, Tchaikovsky and Beethoven; 8pm; Dec 19, 20, 21

EXHIBITION Berlinische Galerie Martin-Gropius-Bau Tei: 49-30-254860 Marianne und Germania, 1789 bis 1889. Zwei Welten - Eine Revue: exhibition as part of the

Berliner Festwochen, focusing on the relationship between Germany and France in the 19th century. The exhibits come from German and French collections;

Deutsche Oper Berlin Tel:

49-30-3438401 Madama Butterfly: by Puccini. Conducted by Johan Amell, performed by the Deutsche Oper Berlin. Soloists Include Maria Spacagna, Catherine Gayer and Walton Gronroos; 7.30pm; Dec 19 Steatsoper Unter den Linden Tel: 49-30-20354438 Lohengrin: by Wagner. Conducted by Daniel Barenboim,

performed by the Staatsoper

Unter den Linden. Soloists include

Magee, Polaski, Botha, Pape and

others; 6pm; Dec 18, 21 (5pm)

BONN

Oper der Stadt Bonn Tel: Die Zauberflöte: by Mozart.

Conducted by Renato Palumbo, with the Oper der Stadt Bonn. Soloists include Ramos, Beer and Sturludottir; 7.30pm; Dec 18

COLOGNE CONCERT Kölner Philharmonie Tel: 49-221-2040820

 Swedish Chamber Orchestra: with conductor Eric Ericson, soprano Barbara Hendricks, the Eric Ericson Chamber Choir and the Kölner Kinderchor perform Christmas music; 8pm; Dec 18

■ COPENHAGEN DANCE

Det Kongelige Teater Tel: 45-33 69 69 69 Royal Danish Ballet: perform

Etudes, a choreography by Harald Lander after Czerny to music by Riisager, and Le Conservatoire or A Newspaper Courtship, a choreography by August Boumonville to music by Pauli; 8pm; Dec 18

■ GHENT OPERA

De Vlaamse Opera Tel: 32-9-2230681 Les Liaisons Dangereuses: by

Swerts, Conducted by Patrick Davin, performed by De Viaamse Opera. Soloists include François Le Roux, Maniyn Schmiege, Lyne Fortin and Jocelyne Taillon; 8pm; Dec 19, 21

HAMBURG **OPERA**

Hamburgische Staatsoper Tel: 49-40-351721 Die Zauberflöte: by Mozart. Conducted by Lothar Zagrosek, performed by the Hamburg Staatsoper. Śołoists include Kwon, Isokoski, Yang and

LONDON CONCERT

Gaillard; 7pm; Dec 18

Barbican Hall Tel: 44-171-6384141 ■ Les Fêtes d'Hébé: by Rameau. Conducted by William Christie, performed by Les Arts Florissants.

Blakston and Richard McCabe: 7.15pm; Dec 18, 19, 20, 21 LOS ANGELES

Soloists include sopranos Sophie

Daneman, Maryseult Wieczorek

and Sarah Connolly, tenors Paul

Fouchecourt, and basses Olivier

Luc Coadou; 7.30pm; Dec 18

Philhermonia Orchestra: with

King's College Choir and the

Philharmonia Chorus perform

works by J.S. Bach, Britten,

Arnold and others; 7.30pm; Dec

St. John's, Smith Square Tel:

Polyphoriv: with conductor

Howells, Warlock, Walton,

performs works by Liszt,

Schumann, Albéniz and

Stephen Layton perform works by

Bennett and others; 7.30pm; Dec

Gabriela Montero: the pianist

Rachmaninov; 7.30pm; Dec 18

The Pit Tel: 44-171-6388891

Directed by Gale Edwards,

performed by the Royal

The White Devil; by Webster.

Shakespeare Company. The cast Includes Jane Gurnett, Caroline

conductor Stephen Cleobury, the

Lallouette, Matthieu Lecroart and

Agnew and Jean Paul

Royal Albert Hall Tel:

44-171-5898212

44-171-2221061

Wigmore Hall Tel:

44-171-9352141

THEATRE

CONCERT Dorothy Chandler Pavillion Tel: 1-213-972-8001 Los Angeles Philharmonic: with conductor Joseph Swensen and

 L'Elisir d'Amore: by Donizetti. Conducted by Carlo Rizzi, performed by the Metropolitan Opera. Soloists include Rost, Leech, G. Quilico and Nucci; 8pm; Dec 19

 The Nutcracker: a to music by Tchaikovsky, Dec 18, 20, 21

48 14

 Gauguin et le Christ jaune: this exhibition centered around brings together the painting "Le

10.00

17.30 Financial Times Business

CNBC:

10.00

18.00 Financial Times Business economies as large as these

Yet suppose that labour

costs are not allowed to fall

- because of regulations or,

more plausibly, because peo-ple are little better off after

tax than on unemployment

benefits. What would one

then expect? The answer is

low growth in employment,

substitution of capital for

relatively expensive labour

in the economy and a

squeeze on the profitability

and performance of sectors

producing tradeable goods

in the EU. So it does appear

to have a "competitiveness" problem. Two points are

First, the core European

countries do not need the "strong" currency so desired

by the Bundesbank. They

need, instead, a "competi

tive" one, subject to the pro-

viso that its internal pur-

chasing power is satisfactorily protected. In a

currencies can become a

same thing as the real wage

enjoyed by employees, needs to fall if the unemployed are

to be absorbed into jobs.

This is important not only

tions and the structure and

The significance of any level of taxes and benefits

Second, the real cost of

then worth making.

This is what can be seen

and services.



Martin Wolf

A question of competition | Europe is not just

While some commentators reject the concept of international competitiveness, it can illuminate the causes of the EU's economic ills

Is Europe competitive? The question is one that many of the continent's finest minds are thinking about as unemness is too simple, as Mr ployment in the European Andrea Boltho of Magdalen College, Oxford, notes in his Union seems stuck at postopening article in the war highs. But is it a meaningful Oxford Review of Economic

question? Professor Paul Policy. Krugman of the Massachu-Hidden behind it is at setts Institute of Technolleast one perfectly respectogy, for one, has mounted able notion. This is the real the most savage assault on exchange rate, which can be the tendency to ascribe ecothought of for this purpose as a link between the cost of nomic failings to lack of competitiveness. It is a fail- labour and the performance ure to understand how of internationally exposed nations differ from compasectors of the economy. nies, he says.

In the case of the EU, a Yet there is much that focus on the real exchange can be learnt from asking rate is particularly illuminathe question - provided ting. It allows a connection competitiveness is defined to be drawn between three in a sensible way. The answer can shed light on apparently separate worries: employment, wholethe causes of Europe's economy productivity and current predicament.

The natural starting point Prof Krugman returns to for a discussion of competi-tiveness is the last of these. the subject in Making Sense of the Competitiveness The picture is mixed. Unlike Debate, which appears in the recent collection of the US, which ran a current essays on International account deficit of about 2 per cent of gross domestic product in 1995, the EU had a current account surplus of 0.5 per cent of GDP. It also remains the world's largest exporter: merchandise exports from the EU to the

Competitiveness in the Oxford Review of Economic Policy (OUP). He condemns those who believe the aim of trade policy is to maximise exports and minimise imports as mercantilists. Yet that is exactly the position of the European Commission in its white A simple indicator of competitiveness paper on competitiveness, growth and employment, Real effective exchange rate based on relative unit labour cost published in December 1993, when it argued, absurdly, that "the most important reason for the long upward

ing with us". The theory of comparative advantage shows trade is mutually beneficial. But viewed through the mercantilist spectacles donned by the Commission it becomes a form of warfare.

trend in the European rates

of unemployment is the rise

of nations that are compet-

Prof Krugman is right to be angry that nearly two centuries after it was first developed many policymakers and commentators fail to understand compara-

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domestic demand. Furthermore, the EU's high share in world exports masks a declining trend - as the Commission noted in its recent paper on the competitiveness of European indus-

try (November 1996). The share of the 12-member EU in the manufactured exports of members of the Organisation for Economic Cooperation and Development slipped by 2.5 percentage points between 1987 and 1993, while north America's 3.7 percentage rose points

internationally exposed industries is worth noting. EU manufactured output rose by only 23.4 per cent between 1980 and 1995, against an increase of more than 57 per cent in the US. Such a mediocre perfor-

mance in the internationally exposed parts of the European economy may, among other things, be a symptom of overvaluation of the real rest of the world were 20 per exchange rate. As the chart

tive advantage. Yet outright cent of the global total in shows there was indeed a its ability to absorb labour rejection of the notion of 1995, compared with 15.5 per large and sustained depreci-international competitive- cent for the US.

allows there was hadeed a 15 about to absorb 1200ur large and sustained depreci-ation in the real exchange true for any economy, but Yet a current account sur- rate of the US - as meaplus can be - and, in this sured by relative unit are particularly free from case, to an extent is - symp-tomatic of inadequate many and, still more, Japan, international influence after 1985.

The hypothesis of overvaluation of the real exchange rates of core European economies can be supported by two other indica-

One is the ratio of the

exchange rate against the

US dollar to the OECD esti-

mate of the "purchasing power parity exchange rate" the rate that would equalise average price levels between the countries. If this ratio is higher than one, prices are higher than in the US: in 1995 the ratio was 1.3 One other feature of the in France, 1.5 in Germany performance of the EU's and 1.9 in Japan; it was about one in Italy and the UK. The figures for Germany and Japan are surprising for countries with similar levels of real income per head to the US. But these divergences seem to support the French and German view that their companies were competitive against low inflation era, strong one another, but not against producers in the US, Italy

> The second indicator is labour to the employer, that, according to Morgan which is not necessarily the Stanley, hourly labour costs in industry were higher in Sweden, Finland, Denmark, Austria, Belgium and west Germany in 1994 (in that order) than in the US. Yet for the labour market, but US industrial output per for overall economic perforperson remains the highest mance. Reform of regulain the world.

and the UK.

overvaluation for the perforneed to pay proper attention mance of the European to these wider concerns. economy must be kept in If the idea of competitivestrict proportion. The EU is ness leads to an examinaa very large economy that is tion of what determines the only modestly dependent on real exchange rate, it is a external trade: in 1994, EU useful one. The performance exports to the rest of the of internationally exposed world were 8.8 per cent of industries can be a symp-GDP, little more than the 7.7 tom of a disease that policyper cent of the US. Over the makers need to investigate long term, growth is deter- and cure. Competitiveness mined by productivity in is dead; long live competithe economy as a whole and tiveness.

Philip Stephens

Major's problem



railing against a single currency, it is Spanish trawlers, the beef ban, or federalist plots in the European Union's intergovernmental conference.

From every point on the a new threat to Britain's nationhood. If Kenneth Clarke dares suggest otherwise he is howled down in the manner once reserved by the hard left for Labour chancellors. The prime min-

ister is paralysed. For the moment, this is Mr Major's nightmare. One can hardly blame Tony Blair for enjoying, and exploiting, the Tory divisions. As much as Mr Blair has done to transform Labour into an electable party, it is the flight from reason among Conservatives which promises to take him over the threshold of 10 Downing Street. Europe then will be seen as Labour's headache. In truth, it is Britain's.

Mr Major found himself a bystander at the European Union's Dublin summit. His continental counterparts were too polite to say goodbye, but few expect to see him again in Amsterdam next June. He was the distant cousin at the wedding: acutely conscious, it seemed, that his side of the family had been invited only for form's sake.

The others were tuning the motor of economic and monetary union. Mr Major wanted to warn that the engine would soon blow up. There was no great row over the proposed new treaty to overhaul the EU's institutions. Nor was there any meeting of minds. Mr Major used to proclaim on these occasions that Britain was

Europe: John of its partners. He no longer Major's quag- bothers. It is hard to argue that Europe is at a standstill taposition is when your counterparts are passing around freshly now auto- passing around free matic. When printed euro banknotes. It had seemed so different

tics are not in Rome six years ago. Then, at his first summit as prime minister, Mr Major was feted as the leader who would rescue Britain from the Europhobia of the last Thatcher years. He spoke the language of co-operation. By yesterday, his report to the House of Commons on his talks in Dublin was replete with her favourite negatives.

In another respect too.

Dublin seemed a fitting end to a 17-year journey. It was in the Irish capital that it all started back in 1979, with the row over the British contribution to the Brussels budget. Margaret Thatcher's demand that the others give back her money marked out Europe as a threat rather than an opportunity. Henceforth, Britain's continental diplomacy was to be conducted through the metaphors of war. She signed up. of course, to the Single European Act, and Mr Major to nation was assured, were merely tactical retreats.

His close colleagues give conflicting accounts of the prime minister's mood. Some report they have never seen him so ill-tempered, the consequence of fatigue and frustration. But there is also a hint of fatalism. Europe has become his party's death wish. The history books are unlikely to lay the blame on Mr Major.

Mr Blair, however, cannot escape this legacy. Before the general election, he is determined not be outflanked by a sceptical Mr Major. He intends to rebut at every turn the charge that Labour would surrender its not afford to ignore the les-"vetoes" over immigration, defence and taxation. He too away. Britain's problem will is ready for isolation in the be solved only when the national interest.

which would keep Britain in the European mainstream. His conversations with other leaders, notably with Wim Kok, the Dutch prime minister, have persuaded him that he could sign the treaty now under discussion. He also thinks that domestic public opinion can be recalibrated by a government willing to paint Europe in positive colours. Young people have not lost their idealism.

Mr Blair has a point. Britain has been part of the EU for nearly 25 years. For only two of those years immediately after accession - has it had a government determined to make a success of membership. So if the national mood is now running with the sceptics, it is remarkable also that the option of withdrawal has won so little support.

It would be a grave mistake, though, to underestimate the task. The debate over Europe has been demeaned and corrupted by the language in which it is conducted. The relentlessly facile imagery of vetoes, surrenders, and sovereignty has created an accretion of popu-Maastricht. But these, the lar mistrust. It will take time to build a different consensus. And there are also rational doubts as to how comfortably Britain will slot into a Europe built around eco-

nomic and monetary union. The sceptics in Mr Blair's party are quiescent now. But opposition to a single currency will provide a dangerous rallying point. Out of office, the Tory sceptics will tighten their grip on their party. Every deal struck by Mr Blair in Brussels will be condemned as a sell-out of

the nation's sovereignty. Mr Major's mistake has lain in his failure to mobilise the pro-European majority at Westminster. Mr Blair canson. Europe will not go nation has a leader imagina-In office, the Labour leader tive enough to redraw the against the grand ambitions believes he can cut a deal boundaries of party politics.

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·LETTERS TO THE EDITOR·

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Emu: do it right, or not at all

From Mr Gabriel Mangano. Sir, How refreshing it was to read the Lex column 'Rushed money" (December 9). You managed to squeeze in a single column more sensible comments about Emu than I've read in the whole of the numerous articles on the topic splashed across

Europe's newspapers. First, you accurately emphasised the potential structural benefits of a single currency, rather than its cyclical ones. Although some EU member countries might not like it (step forward UK). significant gains in competitiveness are likely to be achieved through closer integration of European markets, and using a single currency across all of them is certainly not going to do

such convergence any harm. Second, you had the guts to state the obvious: structurally. Europe is not ready yet for such a project. Forget all the fuss about bogus convergence criteria, phoney stability pacts and "creative" insists on imposing such

fiscal accounting. Countries like Italy, Spain, or indeed France should admit that what they need instead is a good hard thought about how to improve their score on what economists have long recognised as one of the crucial features of so-called "optimum currency areas": : the geographical and inter-sectoral mobility of their workforce. This takes time. and should be done properly: artificial deadlines should be scrapped when they do more harm than good.

Unfortunately, you failed to be as explicitly lucid as you could have been; you didn't dare question the consensual view that Emu should be exclusively tailored to Germany's wishes, Amen. The Bundesbank's operating procedures are as antiquated as they come (a monetary target is, as far as I am aware, only followed by one other country in the world - Switzerland, and not uncontroversially so), yet it

awkward methods to a future European central hank which would be much better off with an explicit inflation target and an accountable central banker. Similarly, the rigidity of German finance minister

Theo Waigel's idea of a "sta-

bility pact" will certainly not help the euro zone water down any asymmetric shock: once again, optimum currency area theory calls for fiscal redistribution, rather than arbitrarily set limits to budget deficits, as a way to add some flexibility to an already strict system. Emu is too much of an important economic project to be spoilt by political considerations: either do it right, even if this implies resisting most of Germany's unrealistic and harmful demands, or not at

Gabriel Mangano, Centre Wairas-Pareto, University of Lausanne,

Fluoride tablets

From Mr Eric Robinson. Sir. With reference to Clive Cookson on fluoride in water ("Subject to get your teeth into," December 7/8), my dentist told me 30 years ago that it was effective only up to the age of seven, after which it was liable to cause the mottled teeth that Mr Cookson refers to.

Compared with the enormous quantity of water that goes down the drain from washing clothes, pots, bodies, floors, cars and flushing toilets, the amount drunk is negligible so why go to the considerable expense of treating it all? What might brewers and soft drink makers say? Far better and cheaper to issue fluoride tablets, free if need be, for its enthusiasts to put in their own drinking water.

Eric Robinson, 28 Avenue Jules Colle. B-1410 Waterloo, Belgium

Ukraine needs to attract private funds

Ukraine contains both

strong political signs of sup-

port to Ukraine, and finan-

cial commitments, among

ments financing needed by

Third, however, is that

appreciated by Ukrainian

authorities. If delays have arisen in the transfer of

European funds to Ukraine,

seems to consider that these

granted in the framework of

Fund agreements. However

as there is a need to comple-

ment IMF funding by bilat-

bear their own complemen-

eral grants, these grants

tary conditionalities. In

order to make sure that

it is in part because the

Ukrainian government

funds are automatically

International Monetary

Ukraine to implement on-

going reforms.

them the balance of pay-

From Mr G. Duchene Sir, Mr George de Menil writes ("EU's chance to shine," December 6) that the EU is "short-sighted and slow" in supporting the new economic and legal reform package proposed by the Ukrainian government, and which is currently under discussion by its parliament. This view does not reflect the reality.

First, the EU has always provided the greatest balance of payment support to Ukraine: from 1994 to November 1996, Ukraine received \$236m from the EU (\$130m will most probably be transferred in the coming weeks) compared with \$75m from the US. If all types of assistance are combined for all member states and the Commission, Europe has contributed since 1991 \$4bn (49 per cent from Germany alone and 40 per cent from the EU institutions), compared with \$1.95bn from the

Second, there does not

seem to be any difference of these conditionalities are fulview between the Commisfilled, the Ukrainian side sion and member states on should maintain adequate the necessity to continue high level contacts with EU European support to authorities. Ukraine: the action plan on Last, official balance of

payments support should not be the main source of external finance, 'Political money" should give way to private money. For that, investors have to be confident that Ukraine will perform well and this needs a more attractive environment Europe's support is not truly than at present. We hope the present reform package proposed by Mr Pynzenik - and to which European technical assistance contributes - will create conditions allowing

> funds already next year. G. Duchene, editor. Ukrainian Economic Trends, counsellor of the Minister of Economy of Ukraine, EuroCentre, Puskinskaiya 12, KV20, Kięv,

Ukraine to raise private

Beached

From Mr Barney Trench. Sir, It would be easier to generate positive thinking about London's millennium exhibition if we had some idea of the marvels it is expected to contain. At the moment the project looks like a jellyfish on a dirty beach.

What are the big attractions?

Barney Trench. 83 rue Marie Thérèse. Brussels, Belgium

Barrow full

From Mr Desmond Reating. Sir, If the UK rejects the European single currency and sterling stands alone. will not George Soros need to get himself a much larger wheelbarrow?

Desmond Keating. 13 Cedar Hall. Milibrook Court, Dublin 6, Ireland

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BOEING

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Tuesday December 17 1996

Boeing, **Boeing**

Yesterday's positive stock market response to Boeing's planned merger with McDonnell Douglas suggests Wall Street believes the companies' shareholders will gain from the deal. But it is hard to be as confident that it will benefit the long-run interests of the two companies' commercial customers - or even the companies themselves.

In one sense, the merger is simply the latest result of pressures for consolidation of aerospace businesses worldwide. As such, its logic is hard to fault. The prospect of a still more for-midable Boeing may also be just what is needed to jolt Europe's politicians into pushing through a long overdue rationalisation of their defence industries and of Airbus, the commercial aircraft consortium.

That much is positive. However the deal could also pose threats to competition. These are not primarily related to the scale of the merged company. Nor do they stem from the commanding position it would enjoy in world civil aircraft sales, since Boeing and McDonnell seldom compete directly these days for such orders. The doubts arise from the nature of - and relationship between the businesses which the

enlarged group would span. Commercial aircraft programmes have long benefited from defence spending, which defrays research and development costs and allows the two business to share resources. A merger with McDonnell would treble Boeing's defence business funding. Although IIS anti-trust. authorities plan to scrutinise the deal, this aspect seems their priorities. In any case, international subsidy race.

their verdict is likely to be heavily influenced by the Pentagon's views, which reflect its own interests as a monopeony buyer primarily concerned with national security.

But the issue is of legitimate concern to Airbus, whose position could be seriously weak ened if the merger strengthened Boeing's ability to cross-subsidise civil aircraft. That, in turn, could unleash political pressures in Europe for renewed government aid for Airbus, which the US has severely criticised in the past. Both outcomes would be contrary to a free and efficient world market

These risks, and the global nature of the commercial aircraft market, give airlines everywhere a valid commercial interest in the Boeing McDonnell merger not leading to unfair competition. That can best be ensured by subjecting the merger to international antitrust scrutiny. The US authorities should invite competition bodies elsewhere, notably in Europe, to join them in vetting the deal. Such transatlantic co-operation has already worked well in investigations into Microsoft and Nielsen and IRI, the US market research firms.

In addition, the EU should urge the US quickly to resume negotiations in the World Trade Organisation on curbs on indirect subsidies for commercial aircraft production. US airlines have as strong an incentive as their counterparts abroad to press for rules to stop manufacturers using government fundand increase its access to public ing unfairly to drive their competitors out of business. Such rules should also be in Bosing's long-term interest, if the alterunlikely to rank high among native is the risk of a ruinous

In the next few weeks, the would be against the public pattern will be set for the intro-interest if Mr Murdoch (or anyduction of digital satellite televi- one else) should-use his control on in the IJK. British Sky over the digital gateway into Broadcasting is expected soon to decide which kind of decoder boxes to order for the projected launch of some 200 television channels next year. The first batch is expected to be relatively simple, carrying conventional television programmes. More complex decoders will surely follow, to exploit all the computer-like possibilities of digital transmission, including interactive services such as

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banking and shopping. When BSkyB has decided on the specification for decoders and placed orders with suppliers, other programme providers, notably the BBC and the independent channels, will be able to decide whether they want to negotiate to transmit their programmes via the same system. Alternatively they might seek a licence for the technology so that they can develop their own systems, either using the BSkyB

decoder or an add-on module. The BBC continues to fear that it will be denied full and fair access to the technology, which has been developed News Corporation, 40 per cent owner of BSkyB. Certainly, it whistle near his mouth.

UK living rooms to block access to competitors.

However, some in the BBC appear to yearn still for the days when it was the monopolist - of technology as well as airwayes. In the digital world it is far behind BSkvB, and it is having difficulty coming to terms with the need for negotiations with a tough rival.

The UK government has been discussing regulations with the industry since the summer, and the final version is due to be published shortly. It will have to balance the public interest with the requirement that BSkyB obtain a fair return on its investment. Oftel, the telecommunications regulator, will have the task of ensuring that all programme providers can gain access to the Murdoch gateway on reasonable terms.

The regulations fall short of the BBC's demand that BSkyB should be required by law to licence its technology to competitors. But the new rules give Oftel ample authority to ensure fair play. The referee's record in within Mr Rupert Murdoch's keeping British Telecom onside suggests that he will hold his

Brussels beef

of mad cow disease, or BSE, exposed serious flaws in food safety regulation and created widespread alarm. The response be to reform it directly by givof other EU nations and of the ing its scientific remit priority European Commission only added to the confusion.

Mr Franz Fischler, the European agriculture commissioner, has correctly identified some of the most serious problems in protecting consumers. But it is doubtful whether his modest proposals yesterday for more Brussels-based controls would

avoid a repeat of the BSE fiasco. During the scientific debate, experts in the EU's standing veterinary committee too often wore their national hats rather than taking a dispassionate view. They and member governments also appeared to put farmers' interests before those of consumers. The implementation of measures agreed to control BSE was not monitored adequately by the Commission itself, not least due to its modest resources. Europe has a lot to learn from the US Food and Drug Administration, which is politically independent and commands consumers' respect.

meant to police them.

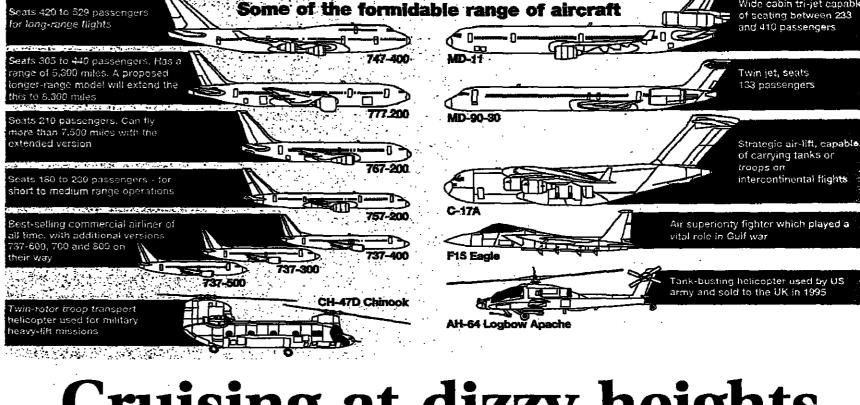
Mr Fischler proposes a strengthened scientific commit- Brussels. Only then will politi-

The UK government's handling committee. But since the vets committee seems to be the source of difficulties in the first place, the best solution would over national interests. Adding another bureaucratic layer

could add to the confusion.

The second of Mr Fischler's reforms would be to move responsibility for monitoring member states' implementation of food safety measures out of the Commission's agriculture directorate into a new, free-standing agency. This would be modelled on Europe's Court of Auditors, and would need substantial resources to carry out its job properly. This proposal would not avoid the current crossed lines between the Commission, which is supposed to ensure that rules are observed, and the member states, which are

By emphasising scientists' views over politicians' and farmers', Mr Fischler's proposals would be a move in the right direction. However, if consumer confidence is to be rebuilt, more radical reform of food safety supervision is needed in all EU member countries as well as tee to give the Commission cal interference with science be advice independent of the vets kept within bounds.



Cruising at dizzy heights

Boeing's takeover of McDonnell Douglas finds Europe's aircraft makers deeply divided, say **Michael Skapinker** and **Bernard Gray**

nell Douglas by Boeing should be seen as an opportunity rather than a threat by its rivals, a senior European airline executive said yesterday. The two US companies would be spending so much of the next year putting their organisations together and dealing with competition regulators that they would have little time to sell aircraft, he

But although there are enormous obstacles to the merger of the two companies, the observation was not entirely serious. The takeover of McDonnell Douglas, the top manufacturer of fighter aircraft, by Boeing, the world's biggest maker of civil aircraft, is widely seen as the precursor of huge changes in the world's aerospace and defence industries.

The merged company, which is to carry the Boeing name and be Lockheed Martin for dominance of the US defence market. And if successful, it will make Europe's

its defence industry look feeble. While the timing of the announcement was a surprise. the two companies have been talking for years. Aerospace industry executives believed McDonnell Douglas would have to find a partner and that its disappearance from civil aircraft manufacturing was merely a matter of time.

Boeing has long been dominant in the civil industry, with 346 orders last year. While McDonnell Douglas managed to edge Airbus into third place, winning 110 sales to the European consortium's 106, this was widely seen as an interruption in its long-term decline.

Its main problem is the small range of aircraft it offers for sale. Aircraft manufacturers believe it will be essential in future to offer atrlines an entire family of aircraft, ranging from 100 seats to

systems from one manufacturer enables airlines to make savings on training, maintenance and the purchase of spare parts.

ticularly keen to compete in the market for expensive aircraft of 400 seats and more, where Boeing has a monopoly with its Boeing is trying to increase its

Aircraft manufacturers are par-

dominance of the large aircraft sector with a 550-seat "stretched" version of the 747. Airbus plans 375-seat and 550-seat aircraft to add to the 335-seat A330. McDonnell Douglas, however,

has failed in its attempt to extend its range beyond its 300-seat MD-11. The company earlier this year abandoned plans to build a 400-seat version of the MD-11. And Mr Harry Stonecipher,

chief executive of McDonnell Douglas, said at the Ramborough dominated by its executives, will air show earlier this year that he be an overwhelmingly large pres- did not believe Boeing would ence in the civil aircraft market, ever build its 550-seater. But by -with more-than 60 per cent-of the beginning of this month, Mr vations aside, agreeing not only that Boeing would build its "stretched" 747 but that McDonfaltering attempts to consolidate nell Douglas would be a subcontractor on the programme.

That appropreement, followed swiftly by Sunday's unveiling of the Boeing takeover, signalled McDonnell Douglas's demise after 76 years as an independent maker of civil aircraft.

One immediate advantage of the merger is that Boeing will be able to make use of McDonnell Douglas engineers. With demand from carriers rising, Boeing is increasing its output of Boeing 737s from 10 a month in January to 17 a year later. There will also be increases in production of the 747 and the twin-engined 400-seat The company is desperately

sbort of skilled staff and has been advertising for engineers and designers in Europe. McDonnell Douglas engineers and designers will be moved to Seattle to work in the merged company. While the merger eliminates

mon electronic and operating turers of large aircraft, it will not substantially increase the competitive pressure on Airbus. This is because most recent contests to supply aircraft to airlines had become straight fights between Boelog and Airbus.

McDonnell Douglas managed to defeat Airbus last year in the contest to sell aircraft to ValuJet, the cut-price US carrier. ValuJet agreed to be the launch customer for the McDonnell Douglas' 100seat MD-95 aircraft.

But other keenly-fought contests - such as those to supply aircraft to Singapore Airlines, Malaysia Airlines and USAir have been straight fights between Boeing and Airbus.

However, aviation analysts say they doubt the takeover will substantially reduce price-cutting in the airline market. Competition between Boeing and Airbus will remain fierce, with airlines attempting to play them off against each other on both quality and price.

Singapore Airlines, the two most likely customers for new generation 550-seat jets, are refusing to commit themselves to Boeing's new aircraft until they have seen what Airbus has to offer.

The implications of the merger for the global defence industry are more significant. The US now has two glant military aircraft makers. Lockheed Martin manufactures

the F-16 light fighter, has the lead role on the next-generation F-22 top-of-the-line aircraft and is a contender for the \$100bn (£71bn) Joint Strike Fighter. Boeing will now have an even bigger range. It will have a subsidiary role on the F-22, half of

the V-22 Tiltrotor for the US Marines, the F/A-18 for the US Navy and the giant C-17 transporter. It is also a contender for the

tion models such as McDonnell's sovereign control that implies,

aircraft and helicopters will generate income from spares and upgrades for years to come.

McDonnell Douglas

Within the US, these two companies will now dominate largescale equipment programmes for the Pentagon. They will be the two groups which have the overall contracting skills to bring together the increasingly complex web of sensors, computers and weapons in aircraft and make them perform together.

There is likely to be further rationalisation of second-tier and third-tier suppliers which supply components for these giants. Recently, Hughes announced that its radar and missiles business was up for sale, for example.

Both the giant US military aircraft makers now have a turnover more than twice that of their largest European competitors. The European military aircraft industry, by contrast, remains fragmented and almost

away before hard decisions are \$8bn fighter order, and the example - and ought to be comparatively easy - to merge the military businesses of British Aerospace and Daimler-Benz Aerospace, since both work on the Eurofighter and on Airbus civil aircraft. Yet nothing is likely to happen until production contracts for the Eurofighter are finally signed.

It is even harder to rope in the French defence industry - by and large it is working on different programmes, having opted out of Eurofighter in the 1980s. Worse, the French industry is still largely state-owned and badly in need of restructuring.

The privatisation of Thomson. the defence and electronics group, has been derailed - showing that getting even profitable defence companies into the private sector can be surprisingly difficult. The kind of interna-Joint Strike Fighter. And its tional mergers necessary to comextensive sales of older-genera- pete with the US, with the loss of

he takeover of McDon- 550. Buying aircraft with com- one of the world's three manufac- F-15, AV-8B Harriers and training are proving almost impossible to

The hiatus gives the US giants an opportunity to pull even further ahead of Europe - an opportunity they seem keen to use. Within Europe, the US is already making headway. Britain is putting \$200m into the US Joint Strike Fighter because it

hopes it will produce a replacement for the Royal Navy's Sea Harriers. Countries such as Norway. Belgium and the Netherlands, which bought the F-16 from the US, might also enter the Joint Strike Fighter project. Daimler-Benz Aerospace has worked with Rockwell of the US on some technologies. Outside the EU and the US, European fighter manufacturers

are being squeezed. Saab of Sweden and British Aerospace thought they had a marketing agreement sewn up to manufacture the Swedish Gripen fighter aircraft for Hungary, only to be undermined by a cheap Informal talks between most of offer of F-16s from Lockheed Marthe defence companies recognise.. tin. In the United Arab Emirates, the need for change, but melt the F-16 will also dominate a taken. It would make sense, for French manufacturer Dassault will get a share only if the US is reluctant to release some censitive technologies to the Gulf

> The result may be that Europe's defence industry is forced into ever-smaller and less attractive niches, selling aircraft or technologies to countries which the US does not care to back. And as the export base shrinks, the cost of producing smaller numbers for the domestic market rises. The four-nation Eurofighter and French Rafale could then be the last generation of fighters designed in Europe.

> The complicated process of merging organisations as large as Boeing and McDonnell Douglas might give Europe's aerospace and defence companies a breathing space. By this time next year, however, they will probably be up against a more formidable competitor than they have ever

· O B S E R V E R ·

Swallowing McDonnell

By falling into the open arms or is it jaws? - of Boeing, McDonnell Douglas has finally sticcimbed to the longestrunning battle in aviation

In the 1920s and 30s William Boeing and Donald Douglas jostled for the top slot in the Heigling airplane business. Boeing even stooped to buying an early Donglas seaplane under the pretext of using it to service his yacht -- to get a close look at his rival's design. Their common inspiration was Glenn Martin, founder of what is now defence giant Lockheed Martin, who taught Bosing to fly and gave young Dougles his first job. Both companies have come

close to nose diving since then. In the early 1970s Boeing was nearly bought to its knees by the elenhantine development costs of the jumbo jet. A few years pefore, Douglas Aviation ran into turbulence before agreeing to combine with the ... military-minded, St Louis-based

McDonnell Corporation.

Donald Donglas Junior was edged out of the business following the merger, leaving the McDonnell clan to provide senior management; that includes the present mild-mannered chairman John McDonnell, who has been

roundly criticised for his indecisive style and whose future in the new company is up in the air. The infusion of outside blood two years ago in the form of chief executive Harry Stonecipher, a tough-taiking former General Electric man, came too late to reverse the strategic drift.

Being swallowed whole by its great rival is a sad end for the company responsible for the first round the world flight and the first aircraft to fly at twice the speed of sound. In the course of its 76 year history McDonnell Douglas has always made great play of celebrating corporate milestones on December 17, the anniversary of the Wright brothers' first powered flight. Would have been nice to maintain the tradition by announcing the deal today - but Boeing is in a hurry and Boeing

Net on net...

■ Israel's Benjamin Netanyahu is the latest world leader to venture into cyberspace, holding an on-line question-and-answer. session with nerds around the globe. The results of this venture into virinal democracy were at best mixed. Less than one-third of the 10,000 people who tried to call the Microsoft NBC web site. managed to get through. And Netanyahu had time to answer

only a dozen questions, partly because the session was interrupted by matters of state the PM had to take an old-fashioned phone call from Yassir Arafat. The Palestinian president has, apparently, yet to discover the joys of e-mail. Besides, Netanyahu is hardly a dab hand with the keyboard; proceedings were slowed as he dictated his enswers for his secretary to type. Sounds like he should stick to the sound-bite and soapbox

Goodbye sailor

The grubby business of transfer fever has hit the sea-fresh world of ocean yacht racing. In a mould-breaking move, UK cigarette maker Gallaher has coughed up a six-figure sum to get top skipper Lawrie Smith on board for next year's Whithread round-the-world challenge.

Smith has been wooed out of his Whithread race contract with Swedish team EF - funded by an eponymous international language school - by Gallaber. due to be floated off by US parent American Brands; he will now, instead; take the helm of the 50ft Silk Cot. Gallahar's overall budget for the race is likely to be around 16m - a chunk of which will now go to .EF for the loss of Smith. together with five of his fellow

Smith says he's delighted to be leading a British crew under a British flag in the 32,000 mile marathon. EF may not mitially have been quite so pleased, but it's wasted no time finding a . replacement. The new man is San Francisco-based Paul Cayard, who recently secured the backing of the Netscape software business for his America's Cuo challenge in New Zealand in 2000. The Whitbread should help get him up to speed.

French kiss

■ No sign of festive spirit in the British parliament, where mistletoe is the latest commodity to raise the ire of patriotic members. Euro-bashing Conservative Teresa Gorman called on Britons to refrain from kissing under French mistletoe this Christmas. Either opt for homegrown versions of the parasitic plant or refrain from enogging, was her advice. "There are many good,

healthy, sensible people who refused to buy French apples or French bread and who, I hope, will now refuse to buy French mistietos, even if it means a little less intimacy over the Christmas period," she said. Male MPs on both sides of the political divide will be hoping she practises what she

Financial Jimes

100 years ago Yankee Brewery Wars

American brewery companies in which British investors are published their annual reports. Our American cousins have taken to record beating in all departments. and in the brewing trade they competition to a fine art. A year ago, the great companies having Chicago for their indulging in the costly luxury of a beer war, one result of which was that in that highly favoured city it was said to be cheaper to drink beer than

50 years ago Interests In India

British commercial interests in India are anxious to know how political developments will affect their position. Pandit Nehro has just told the Associated Chambers of Commerce in Calcutta his views, and, outwardly, they seem realist enough. Two countries so closely associated for 150 years cannot abruptly sever trade relationships without damage. Anyhow, there should be room for both sets of interests. This is reassuring as far as it goes, from a leader who has just called for a resolution favouring an independent republic.

LEGAL DEFINITIONS

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Rowe & Maw LAWYERS FOR BUSINESS

FINANCIAL TIMES

Tuesday December 17 1996



Compensation award MPs hit at for Kuwait oil fires

By Frances Williams in Geneva

International arbitrators have recommended compensation of six months initially but renew-\$510m for Kuwait Oil Company for the cost of putting out oil well fires started by Iraqi troops at the end of the Gulf

award to be endorsed today by the United Nations Compensation Commission (UNCC), the UN body administering Gulf war compensation claims, at during the seven-month Iraqi the end of a two-day meeting occupation of Kuwait.

The Kuwait Oil Company filed a claim for \$950m three years ago. The three neutral judges appointed by the commission have proposed that the remaining \$340m be considered under another claim

The award, the first and biggest corporate claim to be adjudicated by the commission, comes shortly after agreement between the UN and Iraq bombing, has reportedly lobb-

McDonnell

takeover

ket for some time.

Continued from Page 1

tions for competition. Airbus

said McDonnell had not been a

force in the civil aircraft mar-

Airbus against Boeing anyway.

"Airbus Industrie and its

partners must agree as soon as

possible on an optimal struc-

ture that will allow Airbus

Industrie to match its Ameri-

can competitors as a powerful.

integrated European enter-

Chinese shares

go into freefall

cent since April 1 and Shang-

China's stock exchanges,

under the direction of the

China Securities Regulatory

Commission, announced on

Friday they were imposing a

10 per cent limit on share and

indices movements in a single

Those limits were invoked

Shanghai's B-shares for

foreign investors are down

more than 30 per cent in one

"Investor confidence was

totally destroyed," said a

Shanghai-based broker.

yesterday to stop the markets

going into freefall.

hai has leapt 120 per cent.

Continued From Page 1

prise," he said.

on terms for implementing the oil-for-food" deal.

Under this arrangement, for able, the UNCC will receive 30 per cent of lrag's oil export revenues, equivalent to \$100m

Individual claimants have Western diplomats said yes-first call on this money. terday they expected the Because of lack of funds, the first call on this money. commission has so far paid out iust \$13.45m to nearly 4,000 people who suffered serious injury or lost a close relative

A further \$630m in individual claims is also due to be approved today, bringing the total so far awarded to nearly \$3bn. The UNCC hopes to start paying these claims in March. About 700 oil wells were set alight by Iraqi troops during their retreat from Kuwait after defeat by a US-led coalition of western and Arab forces, Iraq which has argued that the fires were the result of Allied

ied to delay a UNCC decision on the case.

Baghdad complained last year that the UN embargo had deprived it of funds to mount a proper defence, and walked out of oral hearings when the panel refused a suspension to give Iraq more time to prepare

The 15 members of the commission, which has the same country make-up as the UN Security Council, considered the judges' report yesterday but decided to continue their discussions for a second day. Western diplomats said they hoped a final decision would come today despite the concerns of some commission

The UNCC has received total claims worth nearly \$200bn from 2.6m individuals, compa nies and governments.

It has already dealt with over 2.2m individual claims but says it will take up to five years to sift through the

Key Japanese MP quits main opposition party

"Most of the big contests are

By William Dawkins in Tokyo We're used to facing Boeing. The terms of competition won't change," Airbus said. Japan's fragmented political However, Mr Günter Rexrodt opposition suffered a further blow yesterday when Mr the German economics minister, insisted that developments Tsutomu Hata, a former prime in the US must hasten the conminister, announced he was version of Airbus into a conleaving the main opposition party to form a rival political

> Mr Hata, one of the three most powerful figures in the New Frontier party, the main opposition party, had fallen out with Mr Ichiro Ozawa, the NFP's president.

> His departure should benefit the minority government of prime minister Mr Ryutaro Hashimoto's Liberal Demo-

The LDP is attempting to se in sales tax next vear as well as implementing ambitious financial market reforms and streamlining the bureaucracy. The party will today announce plans to reduce government controls and business regulations in an attempt to stimulate further economic

Political observers believe at least 10 NFP members of parliament will follow Mr Hata and that he might even attract the support of a third party baron, Mr Morihiro Hosokawa, another former prime minis-

These manoeuvrings would leave Mr Ozawa almost isolated, dependent on the support of an influential but

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Soka Gakkai. Mr Hata and the NFP president have feuded over the distribution of the party's jobs. including that of leader, since the NFP was founded two years ago, with a promise to abandon old-style factional politics and promote a more open

system of government. Strains between the two men reached breaking point after the NFP's poor showing in a general election in October. when it won only 153 seats, seven fewer than in the previous parliament.

The ruling LDP won some NFP-held seats, helping it return to one-party government for the first time since it carry out an unpopular was thrown out of power in 1993, after of power.

> Mr Ozawa and Mr Hata used to be senior members of the LDP, and it was their decision to leave the party that led to its 1993 election defeat, after which it spent a year in oppo-

Mr Hata said yesterday he would work with other opposition groups, including the newly formed Democratic party, which co-operates with the government case by case. Japan's opposition now includes four main groups, not including Mr Hata's planned

Mr Hata said yesterday he planned to set up a new group

FT WEATHER GUIDE

Bank of England's role over **Barings**

By James Blitz,

One of the strongest attacks yet on the way the Bank of England handled the collapse of Barings will be launched tomorrow by an influential committee of MPs.

They will question whether it should retain supervision of the UK banking system.
The Commons Treasury

committee is publishing a report after nearly two years of taking evidence from bankers and regulatory authorities around the world.

It will say there was a string "weaknesses" in the way the Bank of England handled the crisis and that "there may be a case" for an independent banking supervisor.

In recent months the government has rejected this idea. The report marks a significant shift in the committee's view. Two years ago it argued there was "no overwhelming case" for an independent The committee will accuse

the Bank of allowing its supervisory system to break down in three areas:

"the evaluation of internal controls at banks";

 "internal communication at the Bank of England itself";

 "the application of existing Bank of England rules". The report says there may

be a conflict of interest between the Bank's ambition to make London the most competitive financial market in the world and its role as supervisor of the UK system.

The report may also insist that all responsibility for financial regulation should be consolidated under the Treasury, depriving the Department of Trade and Industry of any role.

"Barings was a bank with a large securities operation attached," said an MP on the committee. "We believe that, as financial institutions become more hybrid, it makes more sense for their regulation arm of government.

The committee is also highly critical of the Bank of England's refusal to co-operate with an investigation by the Singapore monetary authorities' into how Mr Nick Leeson concealed more than \$1bn of losses from the merchant

In evidence to the committee, the Bank argued that there had been legal barriers to international co-operation with the Singapore authorities - particularly over the

exchange of information. The report says the government should seek to amend banking legislation so it does not impede such co-operation.

THE LEX COLUMN Reluctant dollars

Japan's much-touted wall of money has been much in evidence recently: between April and October, Japanese investors bought \$33bn of US securities net, double the amount for the whole of last year. Ironically, although many of these investors have profited handsomely, they have hardly been enthusiastic buyers. It is simply that the dismal domestic alternatives - cash rates of around 1/4 per cent, government bond yields down at 2.4 per cent and a stagnant Nik-kei - left them with little alterna-

This backdrop looks unlikely to change soon. US cash rates, for example, still look attractive compared with what is on offer in Janan. But there are reasons for doubting that capital flows to the US will continue at the rates recently seen. Not only have US share and bond prices risen a lot. but the yen has also weakened. Wall Street is less attractive at Y114 to the dollar than Y80. The risk of exchange rate losses is greater, given that the yen has already weakened so much.

The exchange rate outlook is also exacerbated by signs of policy frictions with the US. The US would like Japanese authorities to boost demand, but fiscal plans currently on the table will cut final demand by between Y15 trillion (million million) and Y20 trillion. Japan's fastgrowing bilateral trade surplus, spearheaded by car exports, is also a growing irritant. This situation cannot persist for long without the US again being tempted to resort to dollar devaluation. So long as this prospect remains, Japanese will remain reluctant investors.

American Express

Mr Harvey Golub, American Express's chairman, recently said the group needed a maniacal focus on expanding the business. Perhaps he meant gargantuan: his merger approach to Citicorp would, if successful, have produced a consumer financial services behemoth. The appeal is obvious. Amex would have gained the opportunity to sell to Citicorp's US and international customer base, potentially releasing it from its problems of stagnant revenues and falling market share in the global card business. Citicorp, meanwhile, might have been able to cross-sell services to Amex's customers. It would also, presumably, have liked to gain control of Amex's asset-management business.

FTSE Eurotrack 200: 1903.9 (+23.9)

The fact that talks failed is hardly surprising. Price may have been the stumbling block: Amex's market capitalisation is about \$26bn; with a premium on top of that, even Citicorp would need to think twice. Marrying the two brands would also have presented problems, as would Citicorp's existing ties with

Visa and Mastercard. Having failed to hit the home run, Mr Golub will probably have to settle for a more methodical progress round the bases - something he is good at. The past 18 months bave seen a stream of plans, including allowing banks in other countries to issue Amex brand credit cards and co-branding with groups like Hilton and Delta. Of course, it is possible another partner may present itself, but size considerations will ensure this is a small list.

There is a good reason, and a more dubious one, for Bass's sale of 61 of its US hotels. The good reason is that owning hotels is not neces-sary, at least in the US, to support Bass's Holiday Inn business which is essentially a franchising operation. Selling the hotels will allow Bass to focus on the core franchising business. That said, it would not be surprising if Bass redeployed some of the cash to buy hotels in Europe. Given that the Holiday Inn brand is not nearly as well-known as in the US and that European hoteliers are therefore not rushing to sign up as franchisees, it may make sense to prime the pump by owning more hotels itself in the region.

The sale price - \$659m for hotels

last financial year - is not stunning. But if Bass had kept them, it would have had to invest at least \$75m on refurbishment. Moreover. the purchaser is converting 10 of its existing hotels to the Holiday Inn brand, bringing an extra \$4m a year in franchise fees. Add all that in and the price is certainly creditable The more dubious reason for the mesmann ios

mitel opening

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POSTORIES

sale is that Bass thinks US hotel assets are near their peak, while European ones are rising. Maybe, But shareholders have little reason to suppose Bass will be able to spot the peaks and troughs of the cycle with greater skill than anybody else. Recycling capital from the US to Europe will be fine if done for good strategic reasons. Otherwise, the management should hand the cash back to shareholders via a spe-

Insurance broking Lloyd Thompson's £173m acquisi

tion of JIB is hardly in the league of Aon's \$1.2bn acquisition last week of Alexander & Alexander Services. But it does show that the insurance broking industry is finally grappling with its uneconomic structure. Margins are under pressure due to excess capacity and customers have increasingly been cutting out the broker middleman. Mergers and cost-cutting among the bigges brokers - like Aon and A&A therefore make abundant sense. With a global superleague emerg-

ing, smaller brokers are having to work hard to carve out a role for themselves. Hitherto, Lloyd Thompson has sensibly chosen to focus or specialist areas like energy insurance and aviation reinsurance, which are less exposed to the vigor-ous competition. Taking over the larger JIB - which has an extensive network of offices in Asia - could put it in a more awkward strategic position. The new Jardine Lloyd Thompson (JLT) will be too big to be a niche operator, but too small to compete across the board with members of the superleague.

In the short run, that may not matter. Lloyd Thompson's wellregarded management has plenty to do to improve the margins of JIB's underperforming London business. It is also probably better to have a multi-niche strategy than to try to offer an all-singing, all-dancing service from too small a base. But, longer term, JLT may find it has to make further acquisitions if it wants to knit its patchwork of which made \$69m operating profits niches into an elegant quilt.

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Europe today

Most of northern Europe will have low cloud. The UK will be mainly cloudy. Ireland and western France will have cloud and rain. The Benelux and western and southern Germany will have persistent tog and some drizzle. Southern Scandinavia and Russia will be cold with snow. Spain and Portugal will be mild, with temperatures exceeding 15C, but cloudy with heavy rain in the west Italy and parts of the Balkans will have some showers. South-eastern Europe will stay dry with sunny periods.

North-west Europe will have cloud and heavier rain from first but temperatures will

Five-day forecast

Wednesday. It will be mild at drop at the end of the week. Portugal, France and the Alpine countries will also have rain. The south-east will stay mainly dry.

TODAY'S	TEMPERATI	JES	
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No global airline has a younger fleet.

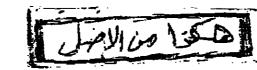
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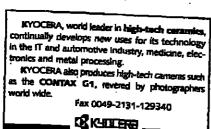
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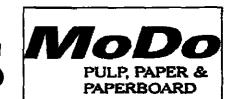




FINANCIAL TIMES

COMPANIES & MARKETS MODO

Tuesday December 17 1996



IN BRIEF

Mannesmann loses Omnitel opening

Mannesmann of Germany last night lost the chance to increase its stake in Omnitel Pronto Italia, the Italian cellular telephone company, when Bell Atlantic International of the US exercised its pre-emptive rights on the holding. The move by Bell Atlantic overrides an agreement made last month under which Olivetti, the troubled Italian information technology company, was to sell Mannesmann 8.26 per cent of Omni-tel Sistemi Radiocellulari, which owns 70 per cent of Omnitel, for L432.5bn (\$283m). Page 22

Bass lets go of N American Holiday Inns Bass is to dispose of most of its Holiday Inns in North America in a cash and equity deal worth \$640m. The UK-based brewer and hotels company is to take a 36 per cent stake in the buyer, Dallas-based Bristol Hotel Company. Page 28

ASW boosted by sale of recycling unit Shares in ASW rose 13 per cent after the financially troubled steelmaker announced the £33m (\$54m) cash sale of its metals recycling division in an effort to reduce debt. The buyer is Philip Environmental, a Canadian industrial services company. It also announced that 200 more jobs would go in its manufacturing operations in the UK and France, leaving a total of 2,600 by next summer. Page 23

Granada U-turn on Méridien hotels Granada Group, which planned to dispose of the Méridien chain during its £3.9bn (\$6.39bn) hostile takeover of Forte a year ago, now plans to double the number of rooms under the brand internationally to 50,000 by 2000. Page 23

Nowman Tonks rejects £172m takeover Newman Tonks, Europe's largest architectural hardware company, said it had rejected a £172m (\$282m) takeover offer from FKI, the acquisitive UK engineering group. The Midlands-based group, a leading manufacturer of door handles, locks and hinges, described FKI's 134p-a-share cash offer as opportunistic and unwelcome. Shares in the company rose 27p to 129½p – valuing it at almost £166m. Page 28

23 Lloyd Thompson

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Chief price changes yesterday

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Former Billa supermarket head enters fray as rival offer splits government

Ex-retail chief bids for Austrian bank

OTHE FINANCIAL TIMES LIMITED 1996

Mr Karl Wlaschek, a one-time piano bar player who sold his Sch15bn last summer, has ond biggest bank, with a last-

opened a Viennese perfume store in 1953 and built his busi-

government's 19.9m ordinary shares. He joins Bank Austria, the country's biggest bank, Bills supermarket chain for and a consortium led by EA-Generali, the Austrian arm of joined the race to win control an Italian insurer, who had of Creditanstalt, Austria's sec-already indicated interest. The bid by Mr Wlaschek has

minute bid for the state's added to confusion over the Schl4.7bn (\$1.8bn) stake. future ownership of Creditan-Mr Wlaschek, 79, who stalt Last week Bank Austria appeared to be the front runner. However, its bid has run ness into Austria's biggest into political problems and has retailer, was one of three bid-split Austria's ruling coalition ders who met vesterday's dead- of the Social Democrats and

On Friday the People's party and Mr Jörg Haider's Freedom party, the main opposition party, joined forces to pass a parliamentary resolution calling on the government to conduct a genuine privatisation of

Creditanstalt. They regard the Bank Austria offer as representing a back-door renationalisation. since the majority of Bank Austria's shares are controlled by the state sector. They are also worried that Bank Anstria, which has ties with the

line for offers for the Austrian conservative People's party. Social Democrats, will have too much power after the take-

> The reputation of Austrian big business has been in Austria, has raised the polittarnished over the years by the perception that the top jobs in industry and finance are shared out along political

Mr Viktor Klima, Austria's finance minister, had hoped the political parties would sink their differences to settle the privatisation of Creditanstalt, which has dragged on for

People's party to join forces with the controversial Mr Haider, a rising political force ical stakes considerably. The worry for Mr Klima is that if he chooses the wrong bidder for Creditanstalt he could precipitate a collapse of Austria's

coalition govern Analysts believe Bank Austria has submitted the highest bid and say its offer has the best commercial logic. Yet the battle for control of Creditansialt is not just about

has no overt political affiliations, could provide an independent solution to the government's political problems. But it would be highly unusual for control of a commercial bank to pass into the hands of a private individual. which suggests Mr Wlaschek

will have to muster outside

support if he wants to be taken

seriously. Creditanstalt shares

closed Sch11.9 higher at Sch737

yesterday. Final hurdle, Page 21

Argentaria set for full sell-off in 12 months

Spanish bank's reform of strategy impresses markets

By Tom Burns in Madrid

Argentaria, the Spanish banking group that is 25 per cent owned by the government, will be ready for complete privatisation in a year, Mr Francisco González, its chairman, said yesterday. Shares in the group have

risen 6.5 per cent since last week's announcement of a \$323m pre-tax charge to restructure its balance sheet and a management shake-up. Yesterday they finished at have praised the group's new strategic focus.

Madrid stockbroker who was government, wants to have banking group with control of about 10 per cent of its equity before privatisation.

alez has been meeting fund managers in the US this month to explain the bank's strategy, and moves on to London later this week.

The government had wanted stake in Argentaria but weak in October by Mr González unusual in Spain."

under his tough new account ing principles brought the share price down and forced a privatisation-strategy rethink. "The reference institutions l have in mind will be partners rather than shareholders and I have to tell the true story about the bank. Credibility is the key," Mr González said.

The \$323m charge, about half the group's expected pretax profits this year, is designed to prepare the bank for a successful disposal.

Mr González said Argentaria Pta5,540, up Pta170. Analysts had been too dependent on non-recurring income and that its margins had become exces-Mr González, a former top sively penalised by lower interest rates. By September he was appointed in May by the new convinced that profitability was unsustainable over the between three and four" insti- mid-term and that drastic CELOD. WES TEC "The group had a short-term

strategy and now we are giving it a medium and long-term International institutions strategy," he said. "This is a own some 35 per cent of new form of banking in Spain; Argentaria's equity. Mr Gonz- no other domestic bank has taken a charge the way we have done when it wasn't forced to do so." Mr Juan Cueto, chief analyst

at Madrid brokers Ibersecurities, said: "Argentaria is swap an early sale of its 25 per cent ping profits today for profits tomorrow. It's the way banks six-month results announced do things in the US and [is]





Buying and selling in Australia; Paul Collins (left) of Brierley Investments and Courad Black, who controls Hollinger

Hollinger to sell Fairfax stake

Mr Conrad Black's Hollinger group is to sell its 25 per cent stake in John Fairfax Holdings, the Australian newspaper publisher, to Brierley based investment group.

The deal comes at a time when the future ownership of Fairfax - publisher of The Sydney Morning Herald, The Age and the Australian Financial Review - has been the subject of considerable speculation, and Australia's media ownership rules are under review by the government.

Mr Black has made no secret of wanting overall control of Fairfax. Australia's current foreign media ownership rules limit him to a 25

per cent stake but there is no a rate of up to 3 per cent in six the government is more symguarantee they will change, Mr Peter Costello, Australia's treasurer, said yesterday that the federal government had no objection to the deal, because it essentially involved

Brierley Investments is to pay A\$447.1m (\$857.5m) for 20 per cent of Fairfax ordinary shares and 18 per cent of the debentures, or A\$2.82 per share or debenture, through its 98 per cent-owned subsidiary, Australian Consolidated Investments. It has agreed to buy a further 5 per cent of the ordinary shares at the same price, subject to Fairfax shareholders' approval. Even without that approval, under Aus-

tralian law Brierley could

increase its stake gradually, at

the shares are held by Daily Telegraph Holdings, a Netherlands subsidiary of The Telegraph Group, the UK newspaper publisher owned by

to merge Fairfax with his Publishing and Broadcasting Limof Fairfax, but is prevented by current media regulations.

buyer for its shares. But in November Mr Black said he would sell if he could not increase his stake.

He has not waited for the proceeds to reduce debt in outcome of the media ownership review, but there have include several hundred newsbeen strong indications that papers in the US and Canada.

months. At least 20 per cent of pathetic to Mr Packer's case the shares are held by Daily for relaxing cross-media ownership rules than to lifting the limit on foreign ownership. Mr Paul Collins, Brierley

Investments' chief executive, STETURY Mr Kerry Packer would like looked forward to being "a supportive long-term shareholder in Fairfax", but local ited, which owns 14.9 per cent analysts saw the move as a short-term investment calculated to profit from the battle In September Fairfax denied for control of Fairfax if media The Telegraph was seeking a rules are relaxed. Brierley long-term interest in newspapers or other media.

Hollinger plans to use the some of its businesses which

MGAM to pay investors £200m over Young affair

21

10

22

http://www.FT.com

Morgan Grenfell Asset Man- from Imro early next year. agement will this week embark on the next stage of its costly effort to repair the damage of the Peter Young affair by announcing it intends to pay about \$200m (\$328m) compensation to some 90,000 inves-

The UK fund management company owned by Dentsche Rank will set out the compensation terms agreed with Imro, the investment management regulator. The money will compensate for losses caused by mismanagement of three unit trusts

Morgan Grenfell Asset Management, which asked five managers including Mr Keith tive, to leave in October after fell, but not charged with a discovering the deception, criminal offence. faces a fine of more than 11m Office is making inquiries,

The compensation arrangements will bring the total cash put in by Deutsche Bank to about 2400m. The figure includes £180m injected in Septamber, for which Deutsche gained a portfolio of relatively lowly valued securities.

The compensation, which Morgan Grenfell will calculate for investors, will make the affair the most costly upset to a unit trust manager since the industry was founded in the 1930s. Mr Young, who was discov-

ered to have invested a large part of the £1.4bn in the funds through unlisted holding companies in Luxembourg, has Percy, its former chief execu- been sacked by Morgan Gren- later falls.

Although the Serious Fraud

investigators have been hampered by their difficulty in pinning down the ownership of some Luxembourg companies. Morgan Grenfell has been working with Imro to calculate the damage suffered by inves-

tors who lost money when the value of the three funds fell earlier this year as many of Mr Young's investments in technology companies lost money. Although many investors in effect gained falsely from rises

in funds' value up to December 1995, as Mr Young decided to pump capital into his chosen technology companies through Luxembourg, they will nonetheless be compensated for

Busang gold stakes proposed

However, the agreement

with Barrick appears to have

shareholders' sails. Mr Dan

Leonard, senior vice-president

able Bre-X shareholder, said

the risks in trying to derail the

Barrick and Bre-X have indi-

cated their proposed deal takes

deal were too great.

By Bernard Simon in Toronto

Barrick Gold, the Torontobased gold producer, is likely to own about 67 per cent of Indonesia's vest Busang gold deposit under a deal submitted to the Indonesian ministry of mines for approval yesterday.

but its share price has fallen markedly in recent months. The rest of the property, expected to be developed into one of the world's biggest gold mines, would be split between Bre-X Minerals, the small Canadian exploration group, with 28 per cent, and the Indoat Invesco Funds Group, a sizenesian government

The proposed deal follows Indonesia's demand last month that Bre-X, which controls exploration licences to Busang, Core Energy 9.00 - 1.10 Robinson Dept 20.50 - 2.00 exploration inclines to Eusering, the form of a joint venture. Spar Assurgation 11.95 - 0.25 Test Testamone 30.50 - 3.25 negotiate a deal with Barrick the form of a joint venture. to speed its development. Bre-X shareholders may also Indonesia argued that Bre-X receive a special class of share, did not have the experience or giving them an extra stake

capital to develop Busang. in profits from Busang.

Bre-X shareholders, who Barrick, already the largest Barrick, already the largest gold producer outside South were hoping the company would become the target of a Africa, is also expected to put up the capital for construction bidding war, have strongly of the Busang mine, put at criticised Indonesia's intervention, Bre-X has a market value \$1.3bn-\$1.5bn. of close to C\$4.8bn (\$3.55bn),

C\$20.15.

Busang, located in east Kalimantan, is estimated to contain at least 57m ounces of gold, and possibly more than 100m. If all goes to plan, the taken the wind out of Bre-X Busang mine will come on stream about 2000.

Barrick said the Indonesian authorities would respond to the proposed deal "in due course". The government is under pressure to give its approval with minimum delay. Barrick shares gained 65 cents to C\$39.45 in early trading in Toronto yesterday. Bre-X was down 85 cents at



A \$50bn colossus with only \$1bn of net debt

It was the deal that Wall Street nearly \$50bn and net debt of only companies at \$5.5bn next year, had been waiting for. Mr Philip \$1bn. No wonder Moody's Inves- before interest, taxes and depreci- buy-backs for two years or more-Condit, Boeing chief executive, tors Service promptly said it was ation, on revenues of \$48bn. finally reeled in McDonnell Doug- considering lifting both compalas over the weekend - and was nies' credit ratings yesterday. rewarded with a \$5bn leap in the companies' combined market value when the stock market and defence group can generate. most obvious answer - buying opened yesterday.

the numbers involved, he is set cal commercial aircraft market to create a colossus with the experiencing a surge in orders, financial resources to dwarf even cash flow is likely to climb

The financial power of a combined Boeing and McDonnell bank which advised McDonnell Douglas can be summed up sim- Douglas on its sale, estimates the ply: a market capitalisation of combined cash flow of the two

Equally impressive will be the

With \$1bn of savings pencilled in To judge by an initial review of for the short term, and the cycli-

J.P. Morgan, the investment

That leaves Mr Condit with an enviable problem: how to put to good use the cash mountain that cash flow that this new aerospace . will quickly begin to pile up. The back shares - will not be open to

> Boeing plans a so-called pooling of interests, a tax-free transaction in which one company acquires another for stock and simply pools the two companies' balance sheets, avoiding the creation of goodwill.

Under US tax rules, such deals

a position that was reiterated last year, when a planned \$10bn merger of First Interstate and First Bank System was scotched

back plans failed to win approval. Nor does a sharply higher dividend seem likely. McDonnell Douglas shareholders are already being rewarded in the merger with a dividend that will be more than double what they currently

after the two companies' buy-

It is also difficult to see the company mounting any other large acquisitions. Boeing yester-

Hughes Electronics, the latest CS First Boston, who advised mues fall by a quarter since the defence business to come on to Boeing on its acquisition. the auction block.

two companies' combined reve- the earnings impact of the nues last year coming from the McDonnell Douglas acquisition defence and space businesses, a as with its cash effect. purchase of McDonnell Douglas

the largest commercial airline gins to a healthy 12 per cent. cycle in history, this will provide That feat has been achieved a major balancing effect on the against the background of a con-

> cracking line in rhetoric, even if it is occasionally just

At the Paris Air Show in

amazement of the rest of the

near-suicidal aerospace industry, the McDonnell

Douglas chief executive said

that if the company was not

already making airliners, he

would want to get into that

market. A little over 12

months later, McDonnell decided it could no longer compete in wide-bodied jets

and abandoned plans for a

large competitor to Boeing

Show this year, Mr Stonecipher was asked whether the

\$100bn Joint Strike Fighter

programme for the Pentagon

would determine who sur-

vived in the fighter business.

He shrugged and said, "only

until the next aircraft." A

from that and called the JSF

competition a "must-win"

contract for McDonnell.

Now if he is to become

more than a ghost in the

ful with such throwaway

At the Farnborough Air

and Airbus.

that, it lost.

a little inconsistent.

Wall Street's enthusiasm yes-With some 45 per cent of the 'terday bad as much to do with

The St Louis-based company's would put Boeing well on the share price has trebled in the way to achieving its goal of past three years as it has pulled bringing greater balance to its itself out of a tail spin, in the process halving its workforce and With Boeing already on top of lifting its operating profit mar-

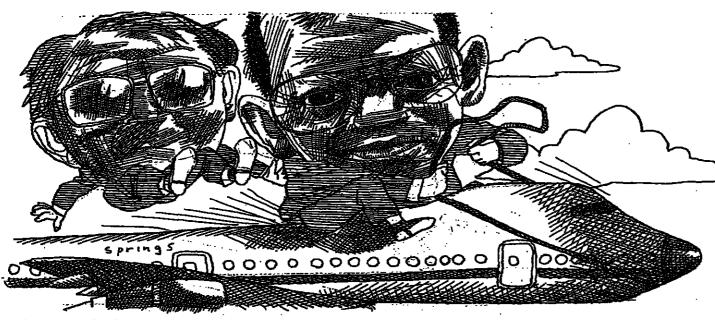
Crunchy Stonecipher

cannot be followed by big stock day ruled out a bid for the military side," said Mr Craig traction of US defence spending defence electronics operations of Oxman, a managing director at which has seen McDonnell's revestart of the decade.

But even after that run, its shares vesterday were trading at only about 15 times its experted earnings for 1997, compared with a multiple of some 20 times at

The prospects for Boeing's earnings per share sent airline industry analysts scurrying to -raise their earnings estimates yesterday, contributing to the run-up in the shares.

Richard Waters



Harry Stonecipher's 'hard man' management style may sit uneasily with the bureaucratic ethos at Boeing, where Philip Condit holds the reins

Condit sets course with shopfloor poetry

Mr Philip Condit. Boeing's chief also chair the merged company. executive, has had a long time to think about how the company could become the world's pre-eminent group's most successful projects, as aerospace and defence manufacturer. He joined Boeing more than 30 of the hangar door. His first job was years ago and has never worked for anvone else.

An engineer by training, Mr Condit. 55. constantly stresses the need to look 20 years ahead and to make sure that employees share his 777, a twin-jet aircraft which began

He was appointed chief executive in April, only the seventh person to Universities of California and Princehold the position since the company ton. Mr Condit prides himself on his was formed in 1915. He is due to take over from Mr Frank Shrontz as Boe-floor workers. The company has had ing chairman in February. He will its industrial relations problems, rather than relying on trial and

Mr Condit's career at Boeing has seen him involved in some of the well as those that never made it out as an aerodynamics engineer on the US attempt, later abandoned, to

build a supersonic jet. the programme to build the Boeing commercial service last year.

An engineer with degrees from the ability to communicate with shop-

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Norddeutsche Landesbank Luxembourg S.A.

Participants

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including a 10-week strike last year. After a factory tour earlier this year, he told managers: "What I found were people proud of their company but scared about what lies ahead. I found people who wanted to contribute but didn't think anybody

was listening."

Mr Shrontz had already launched His biggest success was as head of a programme to ensure that the voice of the shop floor was heard. Among the suggestions that employees made to a previously unresponsive management was that the company paint white lines on the factory floor. This would enable workers to position machine tools and scaffolding accurately against aircraft

This amouncement appears as a matter of record only

error, as they had been doing until

Mr Condit has brought in a poet to address his managers. This was not, he said, because he wanted them to become poetry lovers but because he wished to shake them out of their usual way of viewing business and get them to think differently.

He has long wanted to bring greater halance to Boeing, adding a bigger defence business to its civil aircraft division. The merger with McDonnell Douglas will achieve this. Putting the two companies together, however, will demand even more of those famed people skills.

Michael Skapinker | ough only a few months ago, knocks management was

faces test to adapt Mr Harry Stonecipher has a Mr Stonecipher predicted just what was needed. that Boeing would not build the 600-seat "super-jumbo" unless Airbus actually started on a similar aircraft.

In his new job, Mr Stoneci-1995, for instance, to the pher could well be responsible for starting a production line for the aircraft he sirily dismissed. Mr Stonecipher's crunchy comments, designed to give the air of decisive, no-nonsense leadership, are all part of the hard-man image which he likes to cul-tivate. Yet the style may sit uneasily with Boeing's

bureaucratic ethos. His origins are in a very different business culture. He spent 25 years working for General Electric as the company underwent "Neutron" Jack Welch's revolution. He rose to become head of the company's jet aircraft

From GE, he was recruited to be chief executive of month later he rowed back Sundstrand, the alling engineering and defence group. Unfortunately, a month after turning round the company, again through tough management methods.

When the Pentagon Boeing machine, he will decided that McDonnell have to be a little more care-Douglas needed an infusion of new management blood to replace Mr John McDonnell, For example, in answer to. the board decided that Mr. another question at Farnbor- Stonecipher's brand of hard

Whether that was the able. Parts of the organisa tion were already on the receiving end of heavy cost cutting. For example, Mr Herb Lenese, the tough head of the fighter business, was already slashing costs at the St Louis fighter headquarters. In spite of the apparently common aim, the two men got on so badly that Mr Stonecipher fired Mr Lenese

in October. What Mr Stonecipber must have realised when he looked at the business, was that the challenges to McDonnell came from external limits to its place in the market, rather than from internal problems. Those constraints - a heavy squeeze on the company's place in the commercial airliner market and an ageing line of fighters - was the problem which Mr Stonecipher was unable to solve

That logic led him to talk He was widely credited with to Boeing about a merger a year ago; those talks failed apparently on the issue of who got what job. McDonnell's shareholders may wonder whether they won or lost because Mr Stonecipher waited for his hand to be forced before he cut the inevitable deal with Boeing.

Long faces? Not in Long Beach

By Christopher Parkes in Long Beach, California

Christmas came 10 days early to the Long Beach hangars where 19,000 people assemble commercial and military jets for McDonnell Douglas. Handmade "Going Boeing" signs popped up around the sprawling plant last week. On Sunday, the wishful thinking and

rumours were vindicated. Yesterday, Mr Conway Lawrence, an official with the United Aerospace Workers union, strode briskly

across the car park.
"They've been trying for 30 years to get the management straight. St Louis [McDonnell's headquarters] has not been able to do it. But this is great news."

ship and 60 per cent market share was everywhere apparent, but Mr Tim Jones, a components quality specialist, also had a good word for said. "There's enough work to go round and we'll see the company become more profitable." A young electrical

months ago from Argentina added: "Douglas was down and Boeing is on the up."

White-collar workers were less certain, however. Mr Anthony Webb, an attorney who left private practice two years ago, said the manufacturing side would certainly benefit. "But for lawyer

Faith in Boeing's owner- types like me, who knows?" One of the few anxious faces in the foot traffic from the car parks belonged to a 31-year-old salesman. "For two years maybe we'll be Mr Harry Stonecipher, OK, while we sell down our McDonnell Douglas chief existing line. But I suspect executive. "It's wonderful. It in the long term, they will shows strong leadership," he not need two marketing teams," he said.

ties and it needs the craft skills - McDonnell has technician who joined six both," commented an accounts department worker. Two hundred engineers, formerly employed on the MD-XX wide-body jet scrapped recently, had already been asked to move to Seattle to work on succes-

stirs to the Boeing 747, noted

the union's Mr Lawrence.

"Boeing needs the facili-

15,000 members here. Now we have 7,500. Half of McDonnell's skills are still out there," he said. The takeover extends Boe-

reserves, "In 1989 we had

ing's sphere of influence decisively into southern California. It recently took over Rockwell International, which has its aerospace base at Seal Beach, a short hop from Long Beach.

How much capacity Boeing can use immediately and there is ample space at Rockwell - is an open question. But Mr Gary Brown, from McDonnell's commercial contracts department, saw at least 10 years of good times. "If you look at the problems facing us and Boeing's orders, you have to think it's good for us."

And there were ample **COMPANIES AND FINANCE: INTERNATIONAL**

French accounting rules attacked

By Andrew Jack in Paris

French companies take too long to publish their annual accounts and indulge in much too wide a range of interpretations of accounting rules, a report claimed

Of the leading 100 industrial and commercial companies, more than half take at least three months after the end of their financial year before issuing the annual report and accounts, and 18 per cent take more than four

range of options available tion that the quality of the under existing French information itself had been accounting rules, dealing improving over the past few with subjects such as provi- years.

sions against retirement costs and capitalisation

The analysis is contained in the 11th annual report produced by a group of five leading French auditing and financial consulting firms: Cauvin Angleys Saint-Pierre, Deloitte Touche Tohmatsu, Ernst & Young, Groupe Chaussimier Conseil and Mazars Y Guerard.

Mr Dominique Thouvenin of Ernst & Young, one of the authors, said companies were publishing information sooner after the year-end. Many also exploit a wide but there was little indica-

report, Mr Georges Barthès de Ruyter, president of the National Accounting Council, says French regulations are behind the times in reflecting the rapid changes in such areas as financial

The document highlights a growing number of compa-nies which are making reference to corporate governance in their annual reports, a subject which has its chief executive - but it caused considerable debate was typically incomplete. in France.

However, it says there is the background of directors, memberships they hold.

One-third of the companies analysed provided some information on specialised board committees such as an audit committee, but few offered details on how the committees worked or what they had conducted.

Many companies provided information on remuneration - including Lyonnalse des Eaux, the utilities group which this year for the first time revealed the salary of

The report calls for better information on the share insufficient information on price movements of compames during the year, includtheir activities outside the ing the largest shareholders company and other board and the stock market capitalisation.

Morse to head Salomon's Asia arm

Salomon Brothers' global natural resources group in New York, is to become Salomon Brothers Asia markets for Asia at Salomon Pacific, writes Louise Lucas Brothers in Hong Kong, is to

in Hong Kong. He will also join the US investment bank's management board, the first time Asia has been represented on the policy-making body.

to appoint Mr Morse as a

tance of the Asia region.

In further resbuffles at the bank, Mr Albert Cobetto, forchief executive officer of mer head of debt capital leave the company.

His departure follows the arrival of Mr Steven Roberts, who returned to Salomon Brothers to head up debt capital markets for Asia Salomon said the decision three months ago. Mr Stevens, who spent 13

Mr Robert Morse, head of reflected the growing impor- before moving to Lehman Rowe and Mr William Brothers where he stayed for Phillips, who returned to 11 months, was brought back Salomon Brothers in London at a more senior level to Mr earlier this month to take up Cobetto, and has overseen a a senior role in equities. large-scale expansion of the capital markets team since roles of chairman of Salo-

Mr Cobetto, also formerly of ment banking. Lehman Brothers, had been half years.

with the company since 1985, appointed head of Asia

Mr Rowe continues in the returning to take up the mon Brothers Asia Pacific reins as managing director. and regional head of invest-

Mr Michael Sargent, speciwith Salomon for two and a ality chemical analyst in US equity research for the past Mr Morse, who has been five years, has been

Lloyds Bank Capital Markets

American Express Bank Ltd.

ABN AMRO Bank N.V.

Brown, Shipley & Co. Limited

Banca Popolare di Novara S.C.a.R.L., London Branch

Dresdner Bank AG, Loudon Branch

National Westminster Bank PLC



Rabobank International

Bank Hapoalim B.M.

Emirates Bank International

Westdeutsche Landesbank Girozentrale,

Landesbank Sachsen Girozentrale

Banca CRT S.p.A., London Branch

Bank of China, London Branch

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BANQUE PARIBAS US\$400,000,000 Undated subordinated floating rate securities In accordance with the propisions of the securities, notice is hereby given that for the interest period from 17 December 1996 to 17 March 1997 the securities will comy an interest rate of 5.75% per annum, interest payable value 17 March 1997 per US\$1,000

US\$14.38 and per US\$10,000 Agent: Morgan Guaranty Trust Company JPMorgan

security will amount to

BANQUE PARIBAS LIS\$200,000,000 Undated floating rate cecurities provisions of the securities, notice is hereby given that for the three month interest period from 17 December 1996 to 17 March 1997 the securities will carry on interest rate of 5.875 per annum. Interest due on 17 March 1997 will amount to US\$14.69 per US\$1,000 Agent: Morgan Guaranty Trust Company

JPMorgan

COMPANIES AND FINANCE: INTERNATIONAL

Thai finance group New bids have brought in 5-year offering Creditanstalt

International Finance Corporation, the private-sector lending arm of the World Bank, has arranged a five-year Y10bn euroyen bond offering for Phatra Thanakit, a leading Thai finance and securities company. IFC said the offering was the longest maturity financing ever obtained by a Thai finance company. The aim was to help Phatra Thanakit reduce the mismatch in maturities between its assets and liabilities, and to enable the company to on-lend to its clients for longer periods than in the past, the IFC added. The bond was unrated.

INTERNATIONAL NEWS DIGEST

That fmance companies tend to fund themselves short-term but lend on a longer-term basis. Many companies have reached internal limits on this mismatch and are currently unable to lend over the long term. "By benchmarking the sector through this transaction, IFC is facilitating the progressive diversification of funding sources available to Thai financial institutions," Mr Jernal ud-din Kassum, IFC vice-president, said. "We believe that the more established companies will be able to tap newer markets on their own over the medium-term as they obtain acceptable international credit ratings." Ted Bardacke, Bangkok

Soffex and DTB in link-up

The German and Swiss futures and options exchanges plan to integrate their trading and clearing systems in a move that will also involve extended co-operation with the US. The Swiss Exchange and Deutsche Börse, which runs the Frankfurt securities exchanges, said they would form a joint subsidiary to create a common technical platform for linking their derivatives exchanges - Soffex (Swiss Options and Financial Futures Exchange) and Deutsche Terminbörse (DTB).

This would enable the DTB to take part in Soffex's existing agreement with the Chicago Board Options Exchange and the Options Clearing Corporation.

Solid result for BOC India

BOC India, the country's dominant industrial gases group 51 per cent owned by BOC of the UK, reported sales up 13.34 per cent to Rs2.24bn (\$62.5m) for the year to September 30, supported by strong volume growth in main products and continuing cost-cutting. The results were at the upper end of expectations. Pre-tax profit jumped 41.2 per cent to Rs161m but net profit fell 25 per cent to Rs135m, after an exceptional gain last time from an asset sale. Earnings per share after exceptionals fell from Rs6.61 to Rs4.96. Kunni Bose, Calcut

Costs cut CESC profit 59%

CESC. the Indian utility which supplies power to Calcutta and adjoining areas, reported a sharp fall in profits in the six months to the end of September. The company has been hit by a sharp rise in expenses, including interest costs and the government of West Bengal's refusal to compensate it fully for the rise in fuel prices through power tariff revision. Net profits fell 59.4 per cent, from Rs500m to Rs208m (\$5.7m), on sales up 12.4 per cent to Rs6.73bn. The result was well below expectations and the shares fell to Rs37.50, a low for the year. Analysts do not expect any significant improvement in profits in the

Good debut for Australian fund

Units in the Infrastructure Trust of Australia, the country's first listed infrastructure investment fund, nade a strong debut on the stock market yesterday. Trading in the units opened at about A\$1.40 - a 40 per cent premium to the A\$1 issue price. They ended the day at A\$1.35. The issue is raising about A\$300m (US\$238m) for the trust, with A\$210m coming from institutions and the remainder from retail investors. The fund will be heavily invested in a number of private sector road projects at the outset - including the large toll-way scheme around Melbourne and a proposed toll-road link between Sydney's city centre and its airport - although the intention is to diversify into other projects, such as utilities and possibly airports, as opportunities become

RTZ-CRA buys coal stake

RTZ-CRA, the Anglo-Australian mining group, has bought out the 25 per cent interest in the Hail Creek coal-mining joint venture previously owned by Esso Australia. The deal will take the stake owned by Pacific Coal, the RTZ-CRA subsidiary, to 92 per cent, and it will sell on a small portion of the Esso holding to other partners in the joint venture. This will take the interest held by Marubeni Coal to 5.33 per cent, and the holding of Sumisho Coal to 2.67 per cent. No price was disclosed.

NAB plans Taiwan upgrade

National Australia Bank, the Australian-owned group which controls banks in the UK, US and New Zealand, plans to upgrade its Taiwanese operations after securing a licence for an offshore banking unit there. NAB already has a branch operation in Taiwan.

Arab Bank set for fresh start

Libyan directors of the Arab Banking Corporation, the Arab world's largest bank in asset terms, were expected to vote at a board meeting yesterday for the first time in two years. The Bahrain-based bank is expected to start working out a new strategy after two years of stagnation following the forced resignation in 1994 of its Libyan founder and chief executive, Mr Abdulla Saudi. ABC recently commissioned consultants Arthur Andersen to

idvise on future strategy. Libya, Abu Dhabi and Kuwait each hold a 25 per cent stake in ABC, but 13 percentage points of Libya's stake is held in trust with the Bahrain government. ABC, founded in 1980, had profits of \$116m last year. Mr Ghazi Abdul Jawad, a Saudi national and previously general manager of Gulf International Bank, will be ABC president and chief executive from February 1. Robin Allen, Manama

Austrian bank sale approaches final hurdle

A stop-go sell-off saga privatisation to a climax

urope's longestrunning privatisation has reached the last hurdle. Final bids for the Austrian government's Schl4.6bn (\$1.3bn) control-ling stake in Creditanstalt Bankverein (CA), the country's most famous bank, were submitted yesterday after a weekend of mounting political intrigue.

The Austrian government has been trying to sell its 19.9m CA ordinary shares since 1990. Deadlines have come and gone, but this time the final hurdle seems to have been reached. There are now three bids, and if the Austrian government bungles the decision, it risks becoming the laughing stock of the European banking

The offers are very different. A consortium comprising EA-Generali, the Austrian arm of an Italian insurer, First Austrian, Austria's oldest savings hank. Commerzbank of Germany, Banca Commerciale Italiana, and a hotch-potch of other

● 1890 Austrian government agrees to sall 70 per cent of April 1993 Raiffeisen banks propose merger - rejected May 1994 CS Holding shows Interest - rebuffed Natary 1994 First Austrian joins EA-Generali in Sch7,2bn consortium bid for 37 per cent state in CA Jan 1985 Germany's Allienz and Bayerische Hypo-Bank submit offer – robuffed Merch 1995 EA-Generali consortium offers Sch10bn half of governments stake July 1995 JP Morgan hired as government stake in CA at bids. Austrian government collapses; sale put on hold September 1996 EA-General consortium bids Schoon for helf of government's stake. Offer rejected after First Austria

interests, has been sniffing last week it was the only party to have revealed any

Last Wednesday, however, Bank Austria, the country's aged 79, who earlier this biggest bank, announced it planned to make an offer for the Austrian government's 70 per cent stake in its main tioned, but analysts believe

of Sch720 on the eve of the announcement. The third bidder is Mr Karl Wlaschek, year sold Billa, Austria's biggest grocery chain, to a German retailer.

The Austrian government rival. No price was men- has certain expectations. It would have combined assets wants to maximise revenues of Schl.300bn and rank ment coalition, and Bank

it will offer around Schl6bn, from the sale, and sees it as around CA for years. Until or roughly Sch800 a share - a a catalyst for an overdue premium to CA's share price restructuring of the country's banking system. It would also like to maintain Austrian control and, at the same time, carry through a

genuine privatisation. On paper, Bank Austria's bid looks the most attractive. By taking over CA, it

savings is considerable.

On the other hand, it would monopolise Austria's a "black bank", as it is close investment banking busi- to the conservative People's ness and strain Bank Austria's capital ratios. It is also not a proper privatisation, since nearly two-thirds of Bank Austria's shares are owned by AV-Z, a foundation controlled by the City of Vienna and the Austrian government. Furthermore, its two biggest foreign shareholders, WestLB of Germany, and Cariplo, Italy's largest savings bank, are both in the public sector. Bank Austria's opponents describe the bid as little

more than the renationalisation of Creditanstalt. The EA-Generali consortium is believed to have offered a lower price, but offers a private sector solu-tion. Little is known about Mr Wlaschek's intentions, but European central banks generally frown upon big commercial banks being owned by individuals.

The problem for Mr Viktor Klima, the Austrian finance minister, is that his decision cannot ignore the political factors which have dogged this privatisation. Mr Klima is a member of the Social Democratic party, the major ity partner in the govern

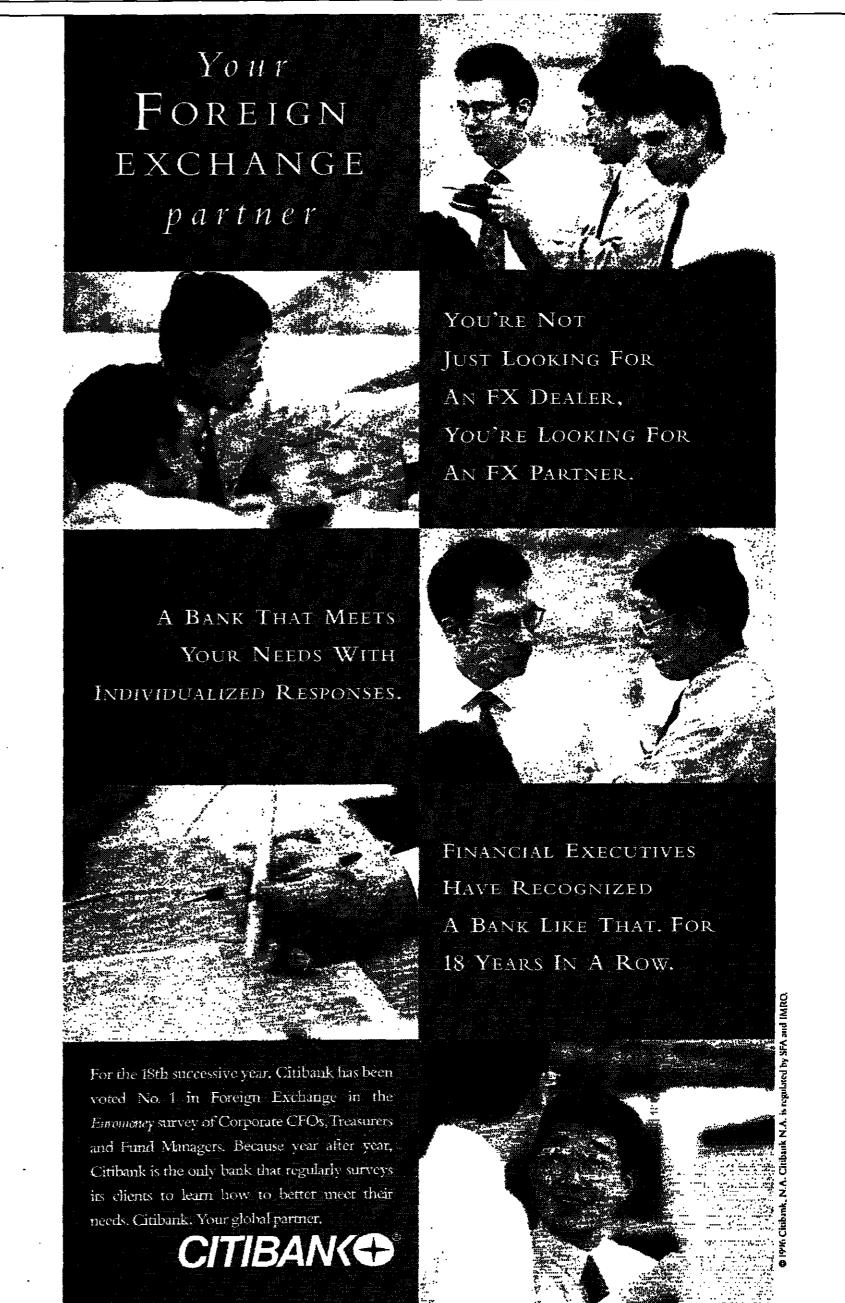
among Europe's top 30 Austria is regarded as a "red banks. The potential for cost bank", because it is allied to bank", because it is allied to Mr Klima's party.

CA, by contrast, is seen as party, headed by Mr Wofgang Schüssel. Its fear is that it will lose out if Bank Austria takes control of CA.

A's trade unions, traditionally supporters of Mr Klima's party, are in uproar about the prospect of job cuts in the wake of a Bank Austria bid, and on Friday the Austrian parliament passed a resolution limiting Mr Klima's room for manoeuvre. It called on the government to undertake a genuine privatisation of its stake, not to sell it to companies controlled by federal, provincial or local authorities, and to make sure any sale does not lead to the loss of thousands of jobs - one of the main planks of the Bank Austria bid.

Mr Klima could ignore the resolution, but he risks the collapse of the fragile coalition which has ruled for the past decade. He has bargaining counters left, but does not know yet whether he has a winning hand or whether this privatisation will result in yet another stalemate.

William Hall



ROMANIAN ELECTRICITY AUTHORITY | RE

US\$ 160,000,000

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Co-Arrangers Bank of America NT & SA BHF-Bank Aktiengesellschaft Société Générale, International Branch Paris The Bank of Tokyo-Mitsubishi, Ltd

Lead Managers Banque Française du Commerce Extérieus, London Branch BBL Ireland Royal Bank of Canada

> Managers Bayerische Landesbank Girozentrale GiroCredit Bank, London Branch



December 1996

CONSOLIDATED SEMI-ANNUAL REPORT

Statement of Income	(for the period April 1, 1996) to September 30, 1996) in Millions of Yen	Consolidated Net Sales (6 months ending March 31 and Sept. 30)
Net sales	2,506,433	2,57
	1,770,211	2214
Income before taxes a		
interests		
income taxes		
	16,634	
Net income per share	5,11(in Yen)	

	•
Balance Sheet	(September 30, 1998) in Millions of Yes
Assets	Liabilities and Shareholders' Equity
Cash and cash equivalents 599,444 Notes and accounts receivable, trade 1,174,098 Inventories 1,133,336 Other current assets 400,348 Property, plant and equipment 1,352,107 Other assets 820,604	Short-term borrowings and current portion of long-term debt
Total assets 5,479,937	Total liabilities and shareholders' equity5,479,937

In Touch with Tomorrow TOSHIBA

October 1996

Confederation Life Insurance Company (U.S.)

in Rehabilitation

The undersigned served as Rehabilitation Counsel and International Coordinating Counsel in the \$6 billion rehabilitation of the U.S. operations of Confederation Life Insurance Company.

> **CADWALADER** Cadwalader, Wickersbam & Taft



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LOS ANGELES CHARLOTTE

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COMPANIES AND FINANCE: INTERNATIONAL

Mannesmann misses out on Omnitel stake

By John Simkins in Milan

Mannesmann of Germany last night lost the chance to increase its stake in Omnitel Pronto Italia, the Italian cellular telephone company, when Bell Atlantic International of the US exercised its pre-emptive rights on the holding.

made last month under which Olivetti, the troubled Italian information technology company, was to sell Mannesmann 8.26 per cent of Omnitel, Sistemi Radiocellulari (OSR), which owns 70 per cent of Omnitel, for L432.5bn (\$283m).

Bell Atlantic already held 16.7 per cent of OSR and by taking up its rights as an partner, after Olivetti, in the cellular phone concern.

remains a partner in the

business through a 19.8 per cent stake it holds in Pronto Italia, which is another telecommunications

per cent of Omnitel, while 70 some per cent is in the hands of OSR.

Olivetti made the original deal with Mannesmann as part of its plan to sell L800bn The move by Bell Atlantic of assets by the end of this overrides an agreement year in order to cut debt. Central to the programme is the sale of its loss-making personal computers business but no buyer has yet been

> Olivetti said that the sale of the OSR stake in Omnitel to Bell Atlantic would go ahead on the same basis as had been agreed with Mannesmann.

It said L404bn of the total existing shareholder it sale price would be paid by becomes the second biggest the end of the year; settlement of half of the remainder will be made next Mannesmann, however, year and the other half, plus remains a partner in the interest in 2001.

After the sale Olivetti will remain the leading shareholder in OSR with 50.74 per cent.

The sale of the stake Pronto Italia controls 30 aroused controversy among of Olivetti's institutional shareholders, which said they had invested in Olivetti because of its involvement in the telecoms

> Besides Olivetti and Bell Atlantic, the other partners in OSR are Cellular Comm unications International of the US with nearly 15 per cent and Telia of Sweden, which has a stake of nearly

> 10 per cent. Mr Thomas Bartlett president of Bell Atlantic International Wireless, said: "We are excited about the concrtunity to take an even greater ownership interest in Omnitel, a business with so

much growth potential." The leading partner in the Pronto Italia consortium is AirTouch which controls

Svenska Handelsbanken in Skandia share probe

By Greg McIvor in Stockholm

Sweden's Financial Supervisory Authority is to launch an investigation into trading by Svenska Handelsbanken, the country's leading bank, in Skandia shares after the insurer's bid for ing in the market. Stadshypotek, the mortgage

Handelsbanken, which is son, last week made a rival SKr22.9bn (\$3.36bn) offer for Stadshypotek. It was the bigshares on the Stockholm after Skandia's all-share offer and preceding its own

Skandia's shares have

fallen more than 8 per cent since the insurance company Mr Hans Schedin, Finan-

cial Supervisory Authority chief legal counsel, said suggestions about the motives for Handelsbanken's trade in Skandia had been circulat-

He said attempting to influence a rival company's shares was not illegal under headed by Mr Arne Martens- Swedish law, but would become so next year. Under current rules, a

company found guilty of gest net seller of Skandia improper activity could face a variety of sanctions, bourse in a 19-day period including a warning or ultimate withdrawal of its operating licence, although Mr Schedin stressed this was seldom invoked.



Arne Martensson: his bank

TRW and Magna plan link-up on car interiors

and Sarah Althaus in Frankfurt

TRW and Magna, two of the world's biggest car component companies, yesterday announced a strategic alliance in occupant restraint products, such as airbags, in reaction to growing concentration among motor industry suppliers.

TRW is one of the leading makers of airbags and seat belts, while Magna has a growing presence in seats and interiors.

By working together, the two companies hope to offer carmakers a single source for interiors, including restraint systems, seats and

The alliance stops well short of a merger along the

lines agreed last October between Autoliv of Sweden and Morton of the US, which are uniting their activities to form the world's biggest

did not mark the start of a adjustment and government wider link with Magna.

He said TRW and Magna had been in talks well before the Autoliv-Morton merger. As a first step, TRW and Magna are setting up a joint technical centre in Germany to work on integrated safety systems and car interiors and develop new

TRW will head the develcoment side for occupant restraint systems, such as airbags and seat belts, while Magna will concentrate on interiors and car body

The only immediate financial impact will be in Ger-many, where TRW and Magna have significant

Magna will buy out third parties in MST Automotive and Temic Bayern-Chemie Airbag, two companies making airbag products and

occupant restraint supplier. After gaining control, TRW's earnings in 198 Mr Peter Hellman, TRW Magna will sell 80 per cent of was expected to be chief operating officer, said the equity to TRW for tive to TRW' in 1998.

approval.

MST and TBCA, which together employ about 2,500 people, are expected to have sales of DM1.07bn this year. Mr Joseph Gorman, TRW chairman, said: "It is a ideal fit - we are relatively weak in Europe, while Magna is strong, and we are strong in

areas where Magna is weak."
The joint technical centre "promises to deliver significant benefits by incorporating some of the best engineering and technology available globally."

Mr Don Walker, Magna chief executive, said: "Customers will benefit from the joint support of the alli-ance's global engineering, manufacturing and distribution organisation, regardless of where the world's major automakers assemble their

vehicles." According to Mr Hellman the deal would not affect TRW's earnings in 1997, but was expected to be "accreINTERNATIONAL NEWS DIGEST

Conseco to buy Pioneer Financial

Conseco, the acquisitive US life assurance group, is paying \$417m to buy Pioneer Financial Services in a stock swap. Pioneer, based in Illinois, is the 22nd life company to be bought by Indiana-based Conseco, and the sixth in. the past four months. Its total spending on acquisitions in that period, including money for retiring debt, is now slightly more than \$2.8bn.

The deal is intended to consolidate Conseco's position in health insurance supplementing state Medicare cover. and in retirement annuities - both sectors it believes will expand as a result of demographic factors.

Pioneer, with total assets of \$1.3bn, will also strengthen Conseco's distribution, with 90,000 agents - doubling Conseco's total sales force. According to Mr Stephen Hilbert, Conseco chief executive, this will give the company the largest US distribution organisation in its selected products.

Holders of Pioneer common stock will receive a fraction of a share of Conseco stock valuing the company at between \$25 and \$28 a share, depending on Conseco's performance in the 10 days before the closing of the purchase, which is expected within six months.

Wall Street welcomed the deal. Pioneer's shares were up sharply, rising \$5% to \$24%. Conseco shares were up \$1% to \$61%. Before its August acquisitions, the shares had been trading at \$42. John Authers, New York

Placer Dome threatens on bid

Placer Dome, the world's fifth-biggest gold producer, yesterday threatened to withdraw a A\$0.75-a-share offer for all the shares it does not already hold in Highlands Gold, owner of 25 per cent of the Porgera gold mine in Papua New Guinea. Placer owns 50 per cent of Porgera and manages the mine.

Placer rejected Highlands' allegations that it had withheld exploration information about Porgera and that the hid was too low. If Highlands took the issue to court, Placer said, the offer would be withdrawn. Placer already

owns 33 per cent of publicly-traded Highlands. Concurrently, Placer sought control of the minority shares of Placer Pacific, which also owns 25 per cent of Porgera. The two offers together were worth US\$600m, and success would mean that Placer would gain full

ownership of Porgera and its annual output of about Robert Gibbens, Montreal

KLM buy-back benefits state

The Dutch government is to receive Fl 976.5m (\$562.7m) as a result of a buy-back by KLM of state-owned shares in the airline. The two yesterday announced that the price per share in the deal agreed earlier this month would be

This reflected the volume weighted average which KLM stock had fetched in the market over the previous four trading days, less a 2.5 per cent discount. The shares closed 30 cents higher on the news at Fl 47.20.

The transaction, which includes a Fl 176.3m payment to the state for a restructuring of its preference share entitlements, is due to be completed by next June. The government retains 25 per cent of KLM's ordinary shares. Gordon Cramb, Amsterdam

Westinghouse unit sold

Western Resources said it agreed to buy Westinghouse Electric Corp's monitored security services business for \$388m in cash. The Westinghouse unit has 300,000 accounts in 44 states, making it the fourth-largest provider of electronically monitored security services in Reuter, New York

Safeway acquires Vons chain

Safeway, the US supermarket chain, is to take over Vons in a deal valuing the southern Californian supermarket chain at about \$1.56bn. Safeway, which holds about 35 per cent of Vons, will issue 1.425 common shares for each Vons common share it does not already own and will assume about \$550m in Vons debt. The combined company will be the second largest grocery store chain in North America, with 1,377 stores and sales of more than AP-D.I. California

Repsol in Peruvian gas buy

Repsol, the Spanish oil group, has bought control of the leading bottled gas company in Peru. It said it was paying \$39m for a 60 per cent stake in Solgas, and planned to spend more than \$200m on marketing its products in Peru and developing the liquefied petroleum gas business

It also said it would take part in a \$117m programme to upgrade facilities at the La Pampilla oil refinery near Limz. A Repsol-led consortium, including YPF of Argentina and Mobil, bought a controlling stake in the

refinery in June for \$180.5m. The Spanish group said its move was designed to consolidate its position in Peru as an integrated company ranging from exploration to household gas and including

a network of petrol stations which it was building up with the aim of capturing about 15 per cent of the marke Solgas, privatised four years ago, controls about 40 per cent of the local market for butane and propane – a sector

in which Repsol's Butano offshoot is the leading David White, Madrid

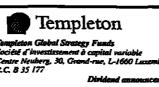


For the six months from December 17, 1996 to Jure 17, 1997 the Notes will carry an interest rate of 5,725% per annum. On June 17, 1997 interest of U.S. \$2894.31 will be payable per U.S. \$10,000 and U.S. \$100,000 respectively for Coupon No. 21. By: The Chase Maskattan Bank London, Agent Bank December 17, 1996 OCHASE

European Investment Bank PTE 20.000.000.000 Capped Floating Rate Bonds due December 2006

For the three months 16th December, 1996 to 17th March, 1997, the Bonds will clary an interest rate of 6.59% per amount with an interest rate of 6.59% per amount with an interest amount of PTE 16.43 per PTE 1000,000 Bond, PTE 164,299 per PTE 1000,000 Bond, PTE 164,299 per PTE 1000,000 Bond Bond, PTE 164,299 per PTE 1000,000 Bond, PTE 164,299 pe PTE 10,00,000 Bond, PTE 106,099 per PTE 10,000,000 Bond, ptyshib on 17th March, 1997, in respect of Coupon No. 1. Lined on the Languigoug Stock Exchange Union Bank of Switzerjand London Branch Agent Bank

12th December, 1996



Templeton Global Strategy Funds will pay dividends to the Shamholders of the following Funds as of record on December 12, 1996, against presentation of the

Convency Amount per Coupon Share matcher Templana Global Comercials: Rand - Class A USD 0.00% 9 20.12,1996 Templetum Global Income Fand - Class A USD 0.065 15 20 12 1996 USD Templetne Emerging Markets. . Fixed Income Pand - Class A 0.22 Principal Paying Agent: Chase Manhattan Bank Luxemboure S.A.

L-2338 Lexembours The Shares are traded ex-dividend as from December 13, 1996. For further information, Shareholders are invited to contact their nearest

Edinburgh Prankfurt Hong Kong Luxembourg
Tel: 124-496-272-23-272 Tel: 125-277-7733 Tel: 1372-14666-67-212
Tel: 1466-666-1212
Te (44) L31 469 4000 Fac (44) L31 238 4506

The Board of Directors December 1996

U.S. \$500,000,000 CITICORP •

subordinated Bank Adjustable Note Capital Securities BANCS Notice is hereby given that the Rate of Interest has been fixed at 5,8125% and that the interest payable on the relevant Interest Payment Date March 17, 1997 against Coupon No. 41 in respect of US\$50,000 nominal of the Notes will be US\$726.56. December 17, 1996, London by: Caboni, NA. (Corporate Agency & Trust, Agent Bink CTTBANCO

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COMPANIES AND FINANCE: UK

£172m approach described as opportunistic and unwelcome

Newman Tonks rejects FKI offer

By Tim Burt

Newman Tonks, Europe's largest architectural hardware company, yesterday said it had rejected a £172m (\$282m) takeover offer from FKI, the acquisitive UK engi-

neering group.
The Midlands-based group. a leading manufacturer of door handles, locks and hinges, described FKI's 134pa-share cash offer as opportunistic and unwelcome.

Shares in the company. which has been hit by sluggish demand from the construction industry this year, rose 27p to 129½p – valuing it at almost £166m.

It was yesterday said to be preparing a bid defence against a possible hostile offer from FKI, which has spent £260m on acquisitions in the past six months.

The move follows the collapse of talks at the weekend aimed at persuading Newman Tonks to recommend FKI's offer to shareholders

"They have made a highly opportunistic approach," said Mr Geoff Gahan, Newman Tonks chief executive. "They indicated that 134p-ashare was not the best price they could offer, but then Does FKPs key in Newman Tento focks A day 95 226.5m disposed of

refused to say how much they would be prepared to pay." He hinted that "other parties" were contemplating possible offers to trump

FKI's approach Analysts estimated that FKI might have to spend more than 2200m, including debt, to take the company. Senior FKI directors spent

ings considering whether to

Rothschild - would comment last night. At the time of its interim results three weeks ago, FKI most of the day in talks with suggested it could use £315m corporate financiers at Barof borrowing facilities to

fund acquisitions.

increase the offer in the

or launch a contested bid.

Neither the company or

Barings - appointed to han-dle the deal over the head of

FKI's normal advisers NM

hope of a recommendation analysts claimed it would need to embank on a capitalraising exercise to avoid straining its balance sheet. By taking over Newman

Yesterday, however, some

Tonks, FKI would greatly strengthen its hardware division, which contributed £25.1m to operating profits of £53.4m in the first half.

Underlying interim profits at the Midlands-based group, by comparison, fell from £9m

managing director of inter-

national hotels, said Méri-

dien would be developed as a

single brand with a Euro-

pean flavour, with the Meri-

dien in London's Piccadilly

Méridien had not lost any

management contracts as a

result of the takeover, he

had added 2,781 rooms from

new signings and 1,358

said, and in the past year it

as the flagship.

to £7.4m following weak demand from the UK build-

Analysts, however, expect profits next year to climb from about £17m to about £21m on the back of overseas

Mr Gahan said the company would be meeting its institutional shareholders shortly to seek their support in rejecting FKI's initial

Unless the Grosvenor

House in London attracted

the right price, reflecting the

potential for profits of up to

£40m a year, it would not be

sold, Mr Allen said. It made

£20m (£13m) in the year to

September. The 453-room

Grosvenor House has a book

value of £302m and accounts

for almost 40 per cent of the

Investment Agency has

denied that it is bidding for

the Grosvenor House

through Audley Group, a

company that it created ear-

lier this year to make luxury

Meanwhile, the Brunei

Exclusive portfolio.

Holiday lun by number of from the sale of two of the 17 Exclusives - which have a total book value of \$801m.

September 80.

The transaction is due to be completed in the second quarter of next year.

Bristol will spend \$150m over the next three years on upgrading the hotels. Mr Peter Kline, president

and chief executive officer, of Bristol said the deal more than doubled the company's size and increased its competitiveness The hotels being acquired

hotel acquisitions. "The Sultan of Brunei's father used to enjoy staying there, but that's as far as it goes," said an official.

Bass in \$640m sale of **US** hotels

By Scheherazade Daneshkhu

Bass is to dispose of most of its Holiday Inns in North America in a cash and equity deal worth \$640m. The UK-based brewer and

hotels company is to take a 36 per cent stake in Dallasbased Bristol Hotel Company, the buyer, and will receive \$391m in cash for 61 Holiday Inn hotels it owns or manages. The hotels bave book value of \$638m.

Sir Ian Prosser, Bass chairman, said that it was taking a stake in Bristol because of the company's expertise in redeveloping older, full service Holiday

He said Bass intended to retain the stake, but had no plans to increase it. Bass will appoint two directors to the board of Bristol.

Bristol will convert 10 of its existing 39 hotels to the Holiday Inn brand, which will result in 84 of its 100 hotels being branded Holiday Inn or Crowne Plaza. It is committed to maintaining a portfolio of 85 per cent

The 61 hotels - 47 of which were fully owned and 14 under management con-tract - generated profits of \$69m in the financial year to

Bass said the cash proceeds would reduce its debt and reduce gearing to 20 per

had an average occupancy rate of 72.9 per cent and an average daily room rate of \$73.82 against industry averages of 65.6 per cent and \$70.71, respectively.

Insurance groups merge in £300m deal

By Christopher Adams, Insurance Correspondent

The pace of consolidation in the global insurance industry accelerated yesterday as British-based brokers Lloyd Thompson and JIB Group unveiled a £300m (\$492m) merger, creating a group strong in the Asian and London markets.

The business mix means Lloyd Thompson will benefit from JIB's presence in Asia and gain a foothold in continental Europe. There will also be scope for cost savings in the London market operations.

Mr Ken Carter, chief executive of Lloyd Thompson. said the merger had been two years in the making. Both sides were reluctant to go ahead until JIB sold its US retail business, which it did earlier this year, and the Lloyd's of London recovery plan was completed, providing future stability for Lloyd

Thompson. Shares in JIB jumped 21p to 130p, reflecting the value

placed on it by Lloyd Thompson's offer. Lloyd Thompson shares were up 1%p to 174p. Under the terms of the

deal, Lloyd Thompson is making an agreed bid valuers in JIB will receive four new Lloyd Thompson shares for every five held in JIB and will own 57 per cent of the new group. The deal dilutes the 60 per cent stake held by Hong Kong-based conglomerate Jardine Matheson in JIB to 34 per cent in

the merged company. The deal between Lloyd Thompson and JIB gives scope for rationalising their combined London market operations. But analysts said there was little overlap and the more important reason for the deal was income growth.

The enlarged group, to be called Jardine Lloyd Thompson, would have earned brokerage of £220m over the year to end June compared with Lloyd Thompson's

Lloyds Chemists pressures suitors

By Peggy Hollinger

Lloyds Chemists, the pharmacy group at the centre of a £630m-plus (\$1.03bn) bid battle, yesterday sought to put pressure on rival suitors Gehe of Germany and UniChem by urging shareholders to hold out for a

The company said this should be possible, given "the statements made by each offeror as to the strategic importance of Lloyds Chemists to each of them". Both drugs distributors have until January 17 to increase

their bids. However, Gehe, which is offering 500p a share in cash, said shareholders should accept its bid "without

The company argued that its cash had become increasingly attractive in recent weeks as a result of several factors: evidence of a continuing squeeze on pharmacy margins from lower NHS reimbursement fees; the volatile stock market which made the value of UniChem's shares uncertain; and finally increased speculation over rising interest

UniChem rejected Gehe's claims, saying that if the German company was truly worried about the UK pharmacy market it would bidding for not be

ASW in recycling disposal

By Peter Marsh

Shares in ASW rose 13 per cent yesterday after the financially troubled steelmaker announced the £33m (\$54m) cash sale of its metals recycling division in an effort to reduce debt.

The buyer is Philip Environmental, a Canadian industrial services company. It also announced that 200 more jobs would go in its

manufacturing operations in the UK and France, giving an employee count by next summer of 2,600, 1,000 less than a year before. Mr Alain Soulas, chief executive, said the disposal

and cost-cutting measures put the company in a "comtion. But he warned that the Cardiff-based company was continuing to suffer from the European-wide weakness in the construction business which takes 85 per

cent of its output. "We are feeling the effects of oversupply and underconsumption." he said.

The 4%p rise in the shares to 38p reflected investor relief that the deal would reduce ASW's borrowings, which at June 80 were £130m, with gearing of 80 per cent. Mr Soulas said the proceeds would reduce borrowings to about £100m. ASW will contin

recycled steel fo steel-mesh opera Philip.

RESULTS

Granada to expand Méridien



Charles Allen: Méridien to have a single brand image

Daneshkhu and David Blackwell

Granada Group, which originally planned to sell the Méridien hotel chain during its £3.9bn hostile takeover of Forte a year ago, now plans to double the number of rooms to 50,000 by 2000. Mr Charles Allen, chief

executive of the TV and leisure company, said that would be achieved by seeking management contracts. Granada planned to sell the assets of the 25 Méridien hotels it owns during the next five years. It has contracts at 52 others. Mr Allen said owners

would be offered packages of

services, including restaurant concepts and health

rooms from extending existing contracts. Priority areas for expansion included south-east

Asia and the Americas, while a presence would be sought in eastern Europe, South Africa, China and India. It is unlikely that there

will be further sales of its Exclusive hotels before Christmas,

Mr Alfonso Giannuzzi, Granada has raised £190m

CalEnergy attacks Northern's 'misleading' bid valuation

CalEnergy, the US company making a £782m (\$1.28bn) hostile offer for Northern Electric, yesterday claimed the Newcastle-based electricity company had made "misleading and incorrect" statements concerning the value

of CalEnergy's bid. The US independent power

This countered Northern's claim that Calknergy's offer was mean by comparison with other bids in the sector. It had calculated that

before interest, tax and depreciation - for the year to March 1997.

bid for East Midlands at 6.2

However, this was disputed by one sector analyst. He saidCalEnergy's bid represented a 1998 cash flow multiple of 6 times, compared with 6.6 times for Dominion's offer for East

This dispute about valuan underlines the tension rounding the outcome of bid, which ends at 1pm Friday.

By Simon Holberton

bid for East Midlands. compared with Dominion's

CalEnergy's bid represented a multiple of 5.9 times forecast cash flow - profits

or its core	producer said its Northern represes higher cash flow r than Dominion Res	nted a yesterd nultiple sented:	ay that its bid a multiple of 6.3	repre- s times t	iur he
-		-			Divid

					-				· Dividends ·		
·	Turne	ner (Eine)		e-tack It (East)	· B	5 (n)	Carrent payment (c)	Date of payment	Corresponding disidend	Total for year	Total last year
Burndene Yr to Sept 28	85.5	. (66,9)	8.06	(3.7)	3.81	(2.47)	1.25	Feb 14	1.175	2	1.925
Crest Packaging 8 mits to Oct 26	24.7	(22.7)	2.16	(1A3)	4	(2.7)	1.375	Mar 21	1.375	-	4.125
Cabbs Riew 24 wiss to Sept 14	20.8	(21.2)	0.964	(2.52)	5.25	(14.39)	4	Apr 7	4	-	10
Howdes		(211.6)	11.1	์ (11)	24	(2.6)	1	May 1	0.95	-	2.9
Hunders Armiey	54.3	(49.8)	1.83	(4.07)	4.65	(10.51)	3	Feb 21	3	4.5	4.5
Jacobino 6 miths to Sept 30	3.45	(3.01)	0.052	(0.153)	1.28	(3.75)	-	-	-	-	-
NOT Purniture 28 wiss to Nov 9		(380.6)	32.74	(20.1)	3.851	(2.37)	1.7	Feb 7	1.5	-	4.4
Prior 6 mins to Sept 30	1.55	(1.55.)	0.338	(0.357)	3.57	(4.86)	2	Jan 24	. 2	-	5
Prison Redio 6½ units to Aug 17☆	19.7	(-)	0.336LA	(D.358L.4)	6.78L	(16.121)	-	-	. -	-	
Prison Real D 8½ mits to Oct 12	33	<u>(-)</u>	0.549L		8.79L	(+)	-	-	-	-	-
Rambael Zorre	5.86	(4,71)	0.7454	(0.235)	4.3	(18.1)	2		1.25	-	-
Systems integrated — 6 mits to Nov 30		(1.25)	1.191	(0,6421)	9.1L†	(5.8L)		-	•	-	-
Webster Multio 6 miles to Sept 30	0.57	(60.1)	0.533L	(0.184L)	4.8L†	(ZL)	· -	-	-	-	-
Investment Trusts	- 440	r (a)		estable gs (221)		5 (b)	Cerrent payment (p)	Date of payment	Corresponding dividend	Total for year	Total last yeer
	224.2	(200.4)	8.97	(7.73)	5.78	(4.98)	1.27	Feb 28	1.13	4.66	4.22
Bankers Yr to Oct 31 ★		(677.3)	4.19	(3.84)	12.51	(11.46)	9.12	Jan 31	7.1	11.5	9.5
Dunedin Worldwide	3047	(-)	4.10	(-)		(-)	1.55#	Feb 28	1.5		5.9
Henderson Fland 9 miles to Nov 30	103		0.297	<u>}</u>	1.05	21	0.95	Feb 28		0.95	
HS UK Emerging 81/2 mths to Oct 91	. 103	(96.14)	0.734	(0.726)	8.9	(8.8)		Feb 20	4	<u>a</u>	8
Invesco Recovery Yr to Oct 31	118.2	(97.9)			0.36				-	•	
Tevernors 7 miles to Oct 31	100.03	- (-} .	0.057	(-)	0.6	(-) (0.68)		-	_	_	1
Yempleton Emerging 6 miles to Oct 31	132.55	(-)	2.87	(2.72)		_ •					
Estings shown basic. Dividends shown	net. Fig.	ures in t	rackets ar	e for corre	sponding	period. 🏟 Stateri. 🏋in	After exception cludes 2p can	mai charge tenary spec	i. †On Increasi Hai. Minind Inte	eci capitali. nim; makes	4.5p to date

Value at launch



US \$350,000,000 UNDATED FLOATING RATE PRIMARY CAPITAL NOTES

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 17th December 1996 to 17th June 1997, the Notes will bear a Rate of Interest of 5.8125% per annum. The amount of interest payable on 17th June 1997 will be US \$293.85 per US \$10,000 Note and US \$7,346.35 per US \$250,000 Note.

ACENT BANK Charterhouse Bank Limited



Capital One Master Trust TLS. \$300,000,000 Floating Rate Class A Certifica Series 1995-2 For the interest period 16th December, 1996 to 15th January, 1997 the Certificates will enory an interest rate of 5.71547% per assum with an amount of U.S. \$47.629 per U.S. \$100,000 demonstration and U.S. \$476.29 per U.S. \$100,000 demonstration, payable on 16th Jensey 1997.

Sth January, 1997. (Inion Bunk of Sultantand Landon Branch Agent Bank 12th December, 1996

Your Legal Notices Picase contact Melanie Miles on Fax: 444 0171 873 3064

appears in the LIKedition every Wednesday & Thursday and in the International edition every Fuday For further information picase call. Andrew Skarzynski 44-0171-873-4054

Toley Finden Crofts on

44 0171 873 3456

APPOINIMENTS

ADVERTISING.



Divestiture of State-Owned Enterprises

Invitation to submit bids for the acquisition of shares in Western Veneer and Lumber Company Limited (WVLC)

The Government of Ghana, acting through its agent the Divestiture Implementation Committee (DIC), hereby invites interested persons to submit bids for the acquisition of all the shares in Western Veneer and Lumber Company Limited.

Enterprise Profile

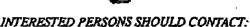
- WVLC was incorporated in 1990 to acquire the assets and liabilities of Takoradi Veneer and Lumber Company Limited and Western Timber Company Limited. The shareholders of WVLC are the Government of Ghana and EAC Timber Limited A/S.
- ◆ WVLC has factories situated at Sekondi and Apowa, comprising factory canopies, sawmills, mechanical workshops and administration blocks. Both factories are adequately equipped with plant and machinery.

◆ The Apowa operation covers 14 acres, and is considered one of the best laid out

- sawmills in Ghana, having ample room for log storage and preparation. Recent additions to the Apowa operation include new peeling line and veneer sorting shed.
- Most logs used by WVLC are from its existing concessions in the Central, Western and Ashanti regions of Ghana. Concessions comprise approximately 600 square miles of timber forest, stocked with primary and secondary species.
- ◆ WVLC's recent results have been affected by the recession in the European lumber market. This market is now improving, and WVLC offers significant potential for the right investor.

Bid Information

Bid documents (including detailed bid procedures) will be provided to interested persons upon return of DIC's standard form confidentiality undertaking, duly signed, and payment of the appropriate fee. Bids from persons who do not comply with these requirements will not be accepted. Completed bids must be delivered to DIC on or before 5.00 pm on Friday February 14, 1997.



EXECUTIVE SECRETARY

Divestiture Implementation Committee F35 5 Ring Road East, North Labone P.O. Box C102, Cantonments Acera, Ghana

Tel: (233-21) 772049 • 773119 • 760281 Fax: (233-21) 773126 F-mail: dicgh@ncs.com.gh

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in

INTERNATIONAL CAPITAL MARKETS

Treasuries slip on production data

GOVERNMENT BONDS

By Lisa Bransten in New York and Samer Iskandar in London

Stronger-than-expected figures on industrial production and capacity utilisation sent US Treasury prices lower in early trading yester-

the long bond was off & at & Jenrette called them "mis-984 to yield 6.596 per cent. while at the short end of the maturity spectrum the twoyear note fell 1 at 99% yield- General Motors strike and ing 5.761 per cent. The March 30-year bond fell by

The curve that maps the spread between the yield on two-year notes and the long bond steepened by 2 basis points to 84 basis points.

Bonds were higher very early yesterday, but gave in output' back their early gains after the Federal Reserve said industrial production rose

Economists had forecast a lier gains. The March bund benchmark bond ended the pares with prices of between gain of 0.5 per cent.

The proportion of capacity in use in the production of goods was also higher than expectations at 83.3 per cent.

Economists were divided

about the importance of the figures, especially in view of the fact that the Fed's Open Market Committee is meeting today. Ms Marilyn Near midday in New York. Schaja of Donaldson, Lufkin leading" because most of the strength was due to a rebound on the heels of the said they fitted with the idea

> manufacturing sector. Meanwhile, economists at HSBC James Capel said that the Fed was "likely to note a few signs of strength outside of the car sector, as well as the sharp year-over-year rise

> of gradual growth in the

German bunds were dragged down by falling Treasuries in the afternoon, 0.9 per cent last month. giving up most of their ear-

contract, traded on Liffe, set- day at 107.74, up 0.38. tled at 100.20, up 0.13, after reaching a high of 100.55. It later fell to a low of 100.03 in

after-hours trading. Other European markets had a generally quiet day, with only Italian and Swedish bonds outperforming core Europe, their 10-year vield spreads over hunds tightening by 5 basis points to 167 and 102 basis points respectively.

This [outperformance by high-yielders] reflects the belief that a euro with a European central bank behind it is a less formidable competitor for funds than the mark with the Bundesbank driving it," said Bridgewater Associates, a US currency and bond management

Liffe's March BTP future rose 0.51 to settle at 128.93, while in the cash market the 9½ per cent BTP due 2006 closed 0.61 higher at 113.61. The Swedish 10-year price close to 100. This com-

New international bond issues

older instruments.

"The market should be in store for some marked convergence in the next few days", said Mr David Brown, chief European economist at Bear Stearns. However, he warned that "longer term, we still think the end is nigh for convergence".

UK gilts started the day on a positive note, rising by up to 1/2, but shed these gains in the afternoon to end roughly unchanged from Friday. On Liffe, the March long gilt future settled at 109%. up &. "Gilts are subject to dual

forces", said Mr Adrian Owens, an economist at Julius Baer Investments in London. "On relative grounds they are attractive, but some firm data are likely to limit progress this week." Matif's notional futures contracts maturing in December 1997 and thereaf124.82 and 128.06 on existing

This pronounced difference is attributable to a change in the characteristics of the contract announced earlier this year as part of Matif's Emu strategy. The underlying coupon of the new futures will be 5.5 per cent, against 10 per cent on

The list of deliverable bonds will also change. As of December 1997, deliverable bonds will have to have maturities of 8.5 to 10.5 years, against 7 to 10 years currently.

The required outstanding amount of deliverable bonds will also increase from FFr5hn to FFr40hn.

Matif is hoping these tech nical changes will boost the liquidity of its notional contract and increase its chances of becoming the ter, the first of which start benchmark European prodtrading today, will have a just after the move to a single currency in 1999.

Banks seek to Turkish issues set up secondary survive market for debt downgrade

By John Gapper, Banking Editor

Outstanding eurobonds issued by the Republic of A group of seven large banks Turkey have not suffered will this week attempt to significantly as a result of gain support from at least 50 its latest credit rating down-Standard & Poor's, the US rating agency, on Friday cut secondary market in corporate and sovereign Turkey's long-term foreign debt, particularly corrency rating to B from

By Conner Middelmann

mnounced in July that it

was considering downgrad

ing Turkey, "this news had

been discounted in the mar-

ket for some time," said an

anything, he said, the con-

firmation of the downgrade

could be seen as good news

as it removed uncertainty

selling of Turkey's US dollar

and D-Mark denominated

bonds launched in recent

months. "The issues have

been pretty firmly placed,

and this close to year-end

you see very few flows any-

According to one dealer

the yield spread on Turkey's

three-year dollar bonds,

issued this summer at a

over Treasuries, now stands

at about 250 basis points.

However, he said that wid-

ening had taken place grad-

nally, rather than as a

A five-year D-Mark bond,

recently launched at a

result of the downgrading.

spread of 210 basis points

way." said one dealer.

Traders reported little

overhanging the market.

merging-markets trader. If

B-plus. It now has the same emerging markets. The banks have formed a rating as Venezuela, and Loan Market Association ranks a notch below Pakisand are likely to concentrate tan and Brazil, which are first on persuading borrowers in eastern Europe both rated B-plus, and two notches below Russia, and countries such as South Romania and Argentina, Africa to agree to allow their which are rated BB-minus. loans to be traded freely However, since S&P had

among banks. The establishment of the association, which will attempt to draw up common legal guidelines and settlement methods for the trading of secondary debt, is one of a number of market in loans to large

One member of the association - led by BZW, Credit Suisse, Fuji Bank, HSBC Investment Bank, J. P. Morgan, NatWest Markets and SBC Warburg – said prices for freely-traded debt might fall as a result of

increased liquidity. They believe emerging market borrowers. which are eager to find new sources of cash, are more likely to approve secondary trading of their debt than large companies in the UK, France or Germany that rely more on bank relationships.

However, the banks believe they may eventually be able to offer loans more cheaply to companies that agree to have the debt traded in the secondary basis points over German | market A price differential to entice more

conservative borrowers. The banks also hope that the extreme cyclicality in pricing of large corporate loans might be eased by having a secondary market, others in an effort to because pricing will not be establish a thriving so heavily influenced by secondary market in lending policies of a few dominant banks.

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1.35

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RCMANGE CAUSE **技典学権主**

RETAR YOUR HOOD

)- **(*)**

There is an expanding market in credit derivatives, which opportunities to offset lending risks with other financial instruments. NatWest has also recently launched 2 securitisation of large corporate loans.

Among the hurdles faced by the banks is the need to set up a common framework for valuing corporate debt. They intend to prepare benchmark figures to be circulated to members monthly, assisted by the innovations affecting the accountants Coopers & Lvbrand.

The banks are initially likely to concentrate on smaller, sub-investment grade companies and governments of emerging market countries.

They will also focus on performing debt, rather than the separate distressed debt Although some US banks

have led the way in establishing a secondary distressed debt market in Europe, this has become less important to many banks in the euromarkets as European economies have

recovered from recession. Bankers regard one of the potential advantages of a broad secondary market in corporate debt as offering a chance to a large retail bank in one country to reduce its exposure to losses as a result of recession in that country.

Slovakian bank in \$80m offering

INTERNATIONAL BONDS By Richard Lapper,

Capital Markets Editor Slovenska Sporitelna. Slovakia's second largest bank by asset size, yesterday

moved to strengthen its

capital base by launching an \$80m 10-year subordinated bond. The paper, the first of its type to be launched by a borrower from the republic. can be counted as tier two capital for regulatory through a call option, purposes, according to exercisable after five years.

sold in Europe, mainly with institutions, about 10 per cent in the United States and about 35 per cent in Asia Pacific.

Unusually, a Taiwanese bank, Hua Nan Commercial Bank, was invited to be a co-manager in the deal, partly to develop Asian distribution. Chase

Slovenska has the option to buy back the bond, which is a floating rate note, The bank, which is rated Merrill Lynch, bookrunners. Bal by Moody's, is raising

Manhattan was a co-lead

Dealers said about 55 per funds at 125 basis points

N US DOLLARS

Slovenska Sporiteins(a)‡

between 2001 and 2006. Slovenska, which has just under \$6bn in assets, has the largest retail network in Slovakia.

insurance arm of ING, the Dutch financial group, raised some Y10bn in Asian markets, with an unlisted public deal. Paribas Capital Markets

years, with that rate rising ING to 300 basis points over Libor euro-medium term note programme launched last month.

100.00 Dec 2006 0.75

the bond - a four-year floating rate note - was ING Verzekeringen, the relatively unusual. Priced at 104.85 the bond

will be redeemed at par. creating a capital loss for the investor. To compensate the bond will pay a relatively high coupon of 100 basis was bookrunner on the deal, points over Japanese Libor.
which is understood to be
Dealers not connected to Dealers not connected to

Verzekeringen's structure as a 'high high floater" and said that it could be attractive to Japanese money market

ING Verzekeringen, which

has an AA- credit rating from Standard & Poor's, will use the funds for "general corporate purposes". according to syndicate managers. Petrobras, the Brazilian state oil group, raised

spread of 280 basis points, now trades at about 310 Schl.25bn with an eight-year deal, mainly targeted at

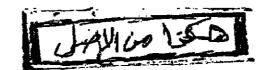
cent of the paper would be over Libor for the first five	the second to be issued in the deal described the	
WORLD BOND PRICES		
BENCHMARK GOVERNMENT BONDS Red Dete Price change Yield ego sgo	B BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100% Strike ————————————————————————————————————	FTSE Actuaries Govt. Securities Price Indices Mon Day's Fri Accrued xd adt. UK Gats Dec 16 change % Dec 13, interest ytd Dec 16 Dec 13 Yr. ago Dec 18 Dec
Australia 6,750 11,706 95,9560 +0,810 7,233 7,24 7,27 Austria 5,875 07,00 99,5800 +0,080 5,93 5,85 6,04 Belgium 7,000 05/06 107,2500 +0,200 5,96 5,90 6,06 Carsada 7,000 12/08 103,2000 -0,400 6,58 8,33 6,21 Dentmark 8,000 03/06 108,7000 +0,340 4,72 4,65 4,86 France BTAN 5,500 10,021 103,3161 +0,380 4,72 4,65 4,86	10000 0.42 0.85 1.11 1.18 0.22 0.65 0.91 1.87 10050 0.18 0.59 0.95 0.96 0.48 0.89 1.15 2.17 10100 0.06 0.40 0.63 0.79 0.86 1.20 1.43 2.48 Est. vol. total, Calle 19250 Puts 13689. Previous day's open Int., Calls 198822 Puts 178270	1 Up to 5 years (21) 120.86
OAT 6.500 10/06 105.1200 +0.100 5.81 5.73 5.90 Germeny Bund 8.250 04/08 102.6900 +0.060 5.86 5.77 5.93 freland 8.000 08/06 108.7900 +0.650 8.73 8.74 8.93	NOTIONAL ITALIAN GOVT. BOND (STP) FUTURES (LIFFET Ling 200m 100ths of 100%	Index-Baked Dec 18 Yr. ago Dec 16 Dec 18 Yr. ago
Felsind 8,000 08/06 108,730 +0.650 8,73 8,74 8,93 1,84 1,	Open Sett price Change High Low Est. vol Open Int. Mar 128.50 128.93 +0.51 129.41 128.50 43145 85943 Jun 128.61 128.47 +0.50 128.61 128.61 50 1270 B ITALIAN GOVT, BOND (8TP) FUTURES OPTIONS (LIFFS) Liezcom 100ths of 100%	 6 Up to 5 years (2) 203.04 0.09 202.86 1.24 5.28 Up to 5 yrs 3.17 3.19 2.51 2.45 2.46 1.26 7 Over 5 years (10) 194.98 0.17 194.65 1.80 4.71 Over 5 yrs 3.55 3.56 3.52 3.33 3.84 3.30 8 All stocks (12) 194.77 0.16 194.46 1.55 4.69 Average gross redemption yields are shown above. Coupon Sanda: Low: 0%-7%%; Macdum: 8%-10%%; High: 11% and over. 1 Flat yield, ytd Year to data.
Spain 8.800 0.4/06 112.1200 -0.180 6.97 7.00 7.82 Sweden 8.000 08/07 107.7413 +0.380 8.94 6.79 7.29 UK Gilfs 8.000 12/00 102-26 -1/32 7.17 7.11 7.11 7.13	Strike CALLS PUTS Puts Puts Jun Mar Jun	FT Fixed Interest Indices Gilt Edged Activity Indices Dec 16 Dec 13 Dec 12 Dec 11 Dec 10 Yr ago Hight Low* Dec 16 Dec 13 Dec 12 Dec 11 Dec 10 Dec 9
7.500 12/06 99-04 -2/32 7.63 7.57 7.62 9.000 10/08 109-31 +1/32 7.70 7.64 7.74 7.65 7.65 7.65 7.65 7.65 7.65 7.65 7.65	12850 2.11 2.77 1.88 2.80 12900 1.84 2.53 1.91 3.06 12950 1.60 2.31 2.17 3.34 Est. vol. total, Carts 9189 Puts 4377. Previous dey's open int., Carts 100940 Puts 11255	Govt. Secs. (UNC) 94.04 93.71 93.73 94.08 94.50 95.93 96.34 91.59 Gift Edged bergains 84.5 71.6 78.7 85.0 92.0 Fixed interest 118.30 115.94 118.53 116.41 116.54 114.96 117.82 110.74 5-day average 82.1 83.9 89.2 92.0 93.8 6 FTSE interrectional Ltd 1996. All rights seerved. * for 1996. Government Securities high since completion: 127.4 (09/07/36), low 48.18 (03/07/75, Fixed Interest high since completion: 132.07 2/1/07/94, low 50.25 (09/07/75, Beals 100/ Government Securities 15/1/02 and Fixed Interest 1828.8 Earthly indices rebessed 1874.
ECU (French Govr) 7.000 04/06 105.7700 +0.270 6.16 8.07 6.30 London closing, Thee York mid-cley Yellock Local market standard. 7 Gnots (Including withholding text at 12.5 per cent psyable by nonnealdents) Prices: US, UK in 32nds, others in decimal Source: MMS intermediated.		THE SEASON PROPERTY (1979), NO. 2012 (1974), COMM. LOW COMMITTIONS 15 10/20 MIN LONG (1950) 25/20 MIN MINES (1950)
US INTEREST RATES Latest Treesury Bills and Bond Yields One month Treesury Bills and Bond Yields 1 Treesury Bills and Bond Yields 5.76 Prime rate 5.76 Three year 5.76 5.80	Open Sett price Change High Low Est, vol. Open Int. Dec 112.25 112.18 -0.12 112.73 112.10 71,811 28,716 Mar 111.85 111.61 -0.21 112.51 111.60 47,517 80,819 UK	FT/ISMA INTERNATIONAL BOND SERVICE Listed are the latest international bonds for which there is an adequate secondary market. Listest prices at 7:00 pm on December 18
Broker lean rate 7 Three exacts 4.90 Five year 6.07 Feed funds 57s Six month 5.19 10-year 6.33 Feed bunds at hitervendon - Date year 5.44 30-year 8.29	NOTIONAL UK GRLT FUTURES (LIFFE)* £50,000 32nds of 100% Open Sett price Change High Low Est. vol Open int.	List DOLLAR STRAIGHTS Spein 7½ CS
BOND FUTURES AND OPTIONS	Price Jan Feb Mar Jun Jen Feb Mar Jun	Austra 82 00 400 1063 1089 6.17 SWISS FRANC STRAIGHTS Hanson Treat 10 68 2 500 1103 1103 3 8.34

Sweden		8.000		107.7413	+0.380	6.94 6.3	79 7.29	Strike		CA	US			PUTS -	
UK Gübs		8.000	12/00	102-26	-1/32	7.17 7.		Price		Mar	Jun	ı	Mar		Jun
~		7.500	12/06	99-04	-2/32	7.63 7.		12850	2	.11	2.77		1.68		2.80
		9.000	10/08	109-31	+1/32	7.70 7.		12900		.84	2.59		1.91		3.06
US Treasur	ny *	6.500	10/06	101-05	+1/32	6.34 6.3		12950		.60	2.31		2.17		3.34
	•	6.500	11/26	98-23	-2/32	6.60 6.4		Est. vol. 8	otal, Calls 91	 89 Puta 437		davis ocen			
ECU (French	Govt)	7.000	04/06	105.7700	+0.270	6.16 6.1	7 6.30					,,			
London clos							fest standard.	Spain							
† Gross And				n. Coust beile				-	Onal Spai	NISH RON	n Ame	os Merro			
Prices: US, L	M M 3200	s. omers # 4			•	SOLFOR MEAN	iniametonet								
	***								Open	Sett price	Change	High	LOW	Est vol.	Open Int
<u>us int</u>	EHES	HAI	<u> </u>					Dec	112 <i>,2</i> 5	112.18	-0.12	112.73	112.10	71,811	28,716
Latest				Transper	BEOLS amd Bo	and Yields		Mer	111,85	111.61	-0.21	112.31	111,60	47,517	80,819
		Oe.	a month	-		year	5.78	UK							
Prime refer		a\. Tw	e menth		- Three	i 3000	5 00	■ NOTH	ONAL UK 6	ALT FUTU	RES (LIFF	P1 £50.00	0 32 nds o	£ 10096	
Broker loan ra	 .	7 Th 54 Sta	40 BOOD.,		4.50 Res	 	💯								
Fed.funds Fed.hands at b	ciervention		month 8 year		5.19 10-ya 5,44 30-ya		6.07 6.33 6.38		Open	Sett price	Change	High	LOW	Est. vol	Open int.
V-10 44 -		- 4	- ;		Q,7-1	_		Dec	110-04	109-26	+0-02	110-08	109-25	267	4765
								Mar	109-03	109-02	+0-01	109-19	108-29	28457	137585
								E LONG	GILT FUT	ures opt	TONS (LIF	FE) 650,00	10 64ths c	f 100%	
								Strike		СА	T8			PLITS	
BOND	FUTU	RES A	ND O	PTIONS	B.			Price	Jan			un Ja	n Fet		Jun
					•			109	0-30			00 0-5		-	2-40
								110	0-09			38 1-0			3-14
								111	0-01			16 1-8			3-56
									red, Calles 13						
France									W-10-10		61 LIGHTOR	Carl a char	-114 (125	30403 FUA	EUDO»
E NOTION		uar saul						Ecu							
# INDIRA	ML ME	MURI BURI		ES (MATII	7 FFISOUL										
	Open	Sett price	Change	High	Low	Est. vol.	Open Int.	ECU :	BOND FUTT	NHE2 (MA	III) EGU1	00,000	_		
Dec	128.40	128.66	+0.66			44,111	60,309		Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Mar.	128.42	128.48	+0.42		127.40	128,318	118,215	Dec	95.54	95.88	+0.90	95.92	95.54	1,732	2.344
kun .	127.40	127 <u>.22</u>	+0.40	127.52	125.20	77	9,233	Mar	95.14	95,18	+0.62	95.50	95.08	3.544	5.073
LONG T	ERM FR	ENCH BO	ND OPTI	ONS (MAT	TF)										
Striket		CAI				· PUTS		us							
Price	Je			Mar	Jan	Feb	Mar								
126	2.1	-		2.64	0.07	0.39	0.59	USTI	REASURY E	IUNI HUI	OKES (CE	11) \$100,0	U 32NOS	27 10076	
27	1.2			1.93	0.17	0.64	0.39		Operi	Latest	Change	High	Low	Est. vol.	Open int.
28	0.5			1.33	0.17 0.4B	1.01	1.27	Dec	113-24	113-12	-0-07	113-30	113-12	11,158	56,479
29	0.1			0.86	1.11	1.54	1.79	Mar	113-12	112-31	-0-09	113-18	112-31	402,092	419.511
30	0.0			0.51	1.99	2.24	244	Jun	113-01	112-27	_	113-01	112-16	393	15.013
		23 Pum 13.15	-						-			-	-		
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_								Japan							
German	TY.								anal long			GOVT. E	기구 대회의	CURIES	
NOTION	IAL GER	MAN BUN	D FUTUR	ZES (LIFFE)" DM250.I	000 100ths	of 100%	(LIFFE	Y100m 10	Oths of 10	10%				
	Open	Sett price			Low		Open Int.		Ореп	Close	Change	High	Low	Est. vol	Open int.
		-	•	-	-		-	Mer	125.30		3-	125.33	125.20	873	n/a
Aer .	100.22	100.26	+0.13	100.55	100.03	114087	222100	Just Just	123.95	-	-	123.95	123.86	68	n/a
un	-	99.31	+0.13	-	-	0	182			- dad on APT	AII Co 1				
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UK GI	E12 F	PRICES													

OK GILIS	-iHit	ES	-									_		
Kotes	int '	Neid		+&-		tock	Koles	Ħ,	field	Price £	+#-	_ 오기 High	teek	
Sanzar* (Linear agrice From 1 Transe 139-tre 1997/‡ Each 101-joe 1997/‡ Trees Cor* 7to 1997/‡ Trees Cor* 7to 1997/‡ Trees Sanzar 1997 Each 15go 1997 Each 15go 1998 Trees 15-joe 1998 Trees 15-joe 1988 Each 12joe 1998 Trees 15-joe 1988 Trees 15-joe 1988 Trees 15-joe 1988 Trees 16-joe 1988	13.16 10.43 6.97 8.61 14.01 9.44 7.19 13.54 10.96 9.04	5.70 6.04 6.32 6.34 6.44 6.47 6.54 6.87	100分 100分 101线 107点 103分 100分 114与 105点 100点	1	107点 107号 107号 115 108名 122号 114点 108点	100½ 100¼ 100¼ 100¼ 100½ 100½ 100½ 100½	Trees 8pc 2002-8‡‡	7.65 7.66 7.86 9.75 8.10 8.16 7.84 7.18 8.14	7.61 7.83 7.82 7.48 7.65 7.59 7.73 7.73	992 1993 1913 1914 1984 1984 1984 1194 1194	***	1034 104数 125点 108至 112数 104至	101 <u>1</u> 103 <u>11</u> 9931 874	## 4 14 11 11 11 11 11 11
Exch 124_pc 1999. Treat 8pt 1999 ## Conveneur 104_pc 1999 ## Conveneur 104_pc 1999 ## Conveneur 104_pc 1999 ## Treat 8pt 2000 ## Treat 14pc 1999 ## Treat 8pt 2000 ## Treat 14pc 1999 ## Treat 8pt 2000 ## Treat 14pc 1990 ## Treat 7pc 2000 ##	11.02 9.73 6.13 9.45 8.54 11.82 12.74 7.78 8.12 7.08	8.79 8.80 6.87 7.01 7.09 7.25 6.86 7.17 7.27 7.28	1114 1073) 9733 1084 10552 1095 10952 10962 10963 10963	4444	994 1124 1003 1245 1164	11083 1071 96 10712 11774 10882 10714 10083 9874	Over Filtness Years Trans Spc 2012±1	8.11 6.77 7.85 7.78 7.82 6.90 8.45 7.80	7.77 7.52 7.79 7.76 7.76 7.32	116 <u>13</u> 81.5 101 <u>3</u> 100% 102& 108% 142& 1023	***	105員 103点 100点 113½ 144%	104월 75% 9643 9343 9573 120½ 13094	Prospective real redemption rate on projected inflation of (1)-10% and (2) 5%. (b) Figures in perentheses show RPI base for indexing 68 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Convention factor 3.945, RPI for April 1990; 152.8 and for November 1990; 153.8. Other Fixed Interest.
Fire to Rilace Years														

Treas 100c 2001	9.12 7.08	7.2f 7.2 6	109° <u>1</u> 9811	-7 -7	114 1012			7.82 6.00 8.45 7.80	-	102% 109% 142% 102%	-À	100克 113½ 144克 105蛋	102½ 130∰	Other Fixed b	ntere	est					
Fire to Fifteen Yours			6451											Yicles	10 M	lett Redi	Price £ -		- 52 w High		
Trees 7pc 2002##	7.10 8.81 7.77	7,30 7,42 7,42	9873 1105 1023	法	996 1144 1058	981; 1007; 991)								Asian: Dev 10 ¹ 4pc 2002 BTugan 11 ¹ 2pc 2012	8.69 9.02	7.92 8.55	118 127%		1204 1291 ₂	11133	
Treas 1006 2003	8.84 9.93	7.47 7.30	1133 115		117.3	196 ¹ 2 114 ² 4	Unicase American	7,93	-	50 <u>1</u> 3	+宴	\$1]].		Leeds 13 ¹ 2pc 2006	10.04 8.54		13412		13812	129	
Funding 3 ¹ 290 1989-4	4.19	6.27	83 <u>13</u>	يله	854	784	War Loan 3½pc##	7.80	-		*16		41,1	LCC 3nc 70 At	8.57	-	35	_	36	32^{1}_{2}	
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FT //SMA INTERNATIONAL BOND SERVICE Insue of the least retreatment prints in a subspace according restar. Label prints at 7:30 pm on December 18 Insue of 86. Other Clay Yeal Insu		high aince compliation: 133,87 (21/01	/94 <u>,</u> to	₩ 50.53	(09/0	H/75), i	Basis 100: Government Securities 15/1	10/26 an	of Floord I	interes	192	8. SE activity Indices rebased 1874.
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CURRENCIES AND MONEY

D-Mark falls further after stability pact deal

MARKETS REPORT

believe the pact makes it still seemed secure. more likely that Emu will

into the euro. slight softening on Friday night when the pact was first agreed. Currency strategists said the market had been relatively quiet yester day because the pact did lit- as traders expected future tle to clarify whether the euro would be hard or soft, and whether Emu was now more or less likely to include a large number of countries. Mr Paul Meggyesl, senior currency economist at Deutsche Morgan Grenfell in London, said: "There are still huge question marks." Trad-

ing was thin in the run-up to that the pact had reduced the Christmas holidays.

index of business confidence The US currency closed 2 The D-Mark continued its for November barely affected centimes higher against the descent yesterday in the the D-Mark Strategists said French franc at FFr5.242 wake of Friday's deal on a that since it was the first fall stability pact for European in the index for months, the lar against the D-Mark, and monetary union. Traders German economic recovery is now approaching the lev-

take place, and thus that the don at DML554 to the Ger-However, the D-Mark's fall its level in US trading late the Swiss franc to SFr0.854. The dollar firmed against most European currencies,

> medium to long term, now Dec 16 -- Latest---1.6846 1.6560 1.6553 1.8529 1.6632 1.6607

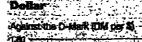
Emu members to keep inter-

their scope to stimulate their The fall in the German Ifo economies by fiscal means.

Sterling rose with the dolels from which it plummeted The dollar closed in Lon- at the start of this month. The pound closed 1.8 pfen-D-Mark will merge with tra- man currency, 0.8 pfennigs nigs up on Friday's London

ditionally weaker currencies up on Friday's London close close, at DM2.582 to the and about 0.4 pfennigs up on D-Mark, and 0.4 cents stronger against the dollar at was modest, and followed a on Friday after the stability \$1.662. It finished the day at pact was announced. But the 93.7 per cent of its 1990 value D-Mark rose slightly against a gainst a trade weighted basket of currencies, up from 98.2 at Friday's London

> The dollar also rose against the yen, although traders largely ignored the strong US industrial producest rates lower over the tion figures for November.





purchases had forced traders to buy dollars on the spot market to cover the options. The dollar rose Y0.2 to Y114.

rency economist at Goldman Sachs in London, rejects the One reason cited for the common view that the stability pact should help the dollar. The options will pay out if the yen falls below Y115 or Y120 to the US currency. The Y120 to the US currency. The higher on news of the pact.

DOLLAR SPOT FORWARD AGAINST THE DOLLA

He takes this position because he believes the dol- deputy director general at lar is already correctly the German finance minispriced against the euro, pre- try, said yesterday that the suming the currencies that current dollar/D-Mark level join Emu enter at their pres- of about DM1.55 was "a parent exchange rates. Since ity which can be defended on the future European cur- the financial markets". rency should retain its value His comment - if sup-

against the dollar, then just ported by senior Bundesbecause the pact raises the bank officials - could sug chances of the euro replacegest that Germany will ing the D-Mark, that is no reject French attempts to weaken the D-Mark and the Mr O'Neill said: "The only French franc against the dolreason to make a dollar-bulllar. Most French politicians ish story out of the pact is if believe devaluation would you think European central stimulate their country's banks are now more likely to economy. Mr Alain Juppe lower interest rates. And if French prime minister, has pledged to raise the issue of the Bundesbank doesn't ease early next year, the market what he called the dollar's may get pretty disappointed

strength with G7 countries. The dollar had long stayed within a band of DM1.50-1.55 against the D-Mark, but this month it has penetrated the top of that band.

update, ring FT Cityline on 0891 430003 See page 1 for call charges

ioney r	ates							
ecember 16	Qver night	One month	Three miths	Sox rnths	One year	Lomb. inter.	Dist. rate	Rept rate
eigkum	34	34	34	315	3.	6.00	2.50	
100CE	311	34	3%	32	3:1	3.20	-	4.75
ermony	37	3.,	32	36	34	4.50	2.50	3.00
eland	5v.	52	59	57	6	-	-	6.25
dy .	73.	72	7%	87	6.	9.00	7.50	7.38
theriands	2%	23	3,	34	3%	-	3.00	3.30
etzertend	12	12	15	1	2	-	1.00	-
5	5%	51/2	1g 5g	57	5%	-	5.DO	-
per	ů			1	· · · · · · ·		0.50	
\$ LIBOR FT L	podon							
terbenk Fising	-	523	52	511	5₩	-	-	-
S Dollar CD4	-	4.85	5.05	5.11	5.27	-	-	-
U Linked Ds	-	44	4%	4 Va	44	-	-	-
OR Linked De	_	32	33	3%	31.	-	-	•

EURO C	URREN	CY INTI	EREST	RATES	i	
Dec 16	Short lerm	7 days notice	One month	Three months	Six months	One year
Belgian Franc Denish Krone DeMark Dutch Guider French Pranc Portuguesa E Spenish Pesel Sterling Swies Franc Cen. Dollar US Doller Italian Lira Yan Asian \$Sing Short term ratius E THARSES ME	3/3 - 3/4 -	311 - 312 - 314 - 315 - 315 - 316 -	3% - 3½ 3½ - 3½ 3½ - 2½ 3½ - 3½ 6¼ - 6½ 6¼ - 6½ 5% - 5½ 7% - 7½ 3½ - 3½ 7% - 7½ 7% - 7%			312 - 312 312 - 314 314 - 324 315 - 324 62 - 511 62 - 512 513 - 513 514 - 513 515 - 515 515 - 515 512 - 515 512 - 515 512 - 515 513 - 515 514 - 515 515 - 515 51
	Open Set	t phoe Char	nge Higt	Low	Eat vol	Open int.

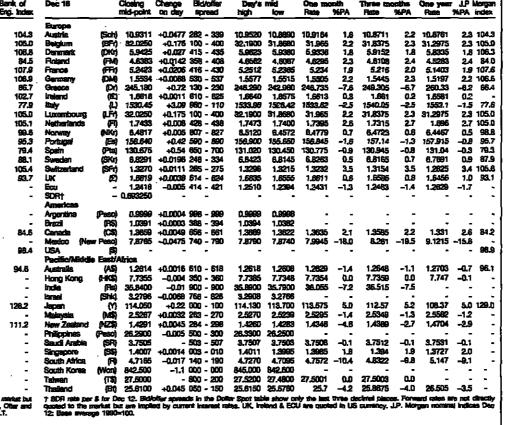
	Open	Sett phos	Change	High	LOW	ES# vol	Open int.
Dec	96.57	95.56	+0.01	96.57	96.55	5,672	33,340
Mar	96.69	96.67	+0.04	98.70	95.56	25,661	63,763
Jun	96.65	96.65	+0.06	96.67	96.64	5.471	37,843
	E MONTH	EUROMA	RK FUTU	RES (LIF	FE)" DM1n	points of	100%
	Open	Sett price	Change	High	Low	Est. wal	Open int
Dec	96.76	96.75	-0.02	98.76	96.75	21090	171184
Mer	96.86	96,88	+0.02	96.89	96.86	41709	208076
Jun	96.81	96.84	+0.03	96.86	96 B1	33115	170654
Sep .	96.70	96.72	+0.04	96.73	96.69	26970	141208
CHE	HONTH E	UROHARK	FUTURE	S (LIFFE)	DM3m p	olnes of 10	O%
	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.69	96.69	-0.01	96.69	95.69	100	3671
Jan	96.92	96.91	-	96.92	96.90	1050	8724
Feb	95.92	96.92	+0.02	96.93	96.92	923	7836
Mar	95.91	96. 9 1	+0.02	98.93	96.91	603	1210
E THRE	E MONTH	RIROLIR	A PUTUR	ES (LIFFE)* L1000m	points of	100%
	Open	Sett price	Change	High	Low		Open int.
Dec	92.62	92.80	-0.01	92.82	92.79	5886	51321
Viar	93.58	93.64	+0.06	83.65	93.58	20170	90214
UN	93.97	94.04	+0.07	94 05	93 97	5974	51649
Sep .	94.18	94.16	+0.06	94.18	91.17	5000	29188
THE	MONTH E	uro sunss	FRANC FU	TURËS (LI	PFE) SFrim	points of 10	0%
	Open	Sett price	Change	High	LOW	Est. vol	Open int.
Dec	97.99	97.94	-0.04	97.99	97.94	606	23761
Mar	98.16	98.11	-0.05	98.16	98.09	9229	38658
Lin .	98.08	98.03	-0.04	98.08	98.01	1406	17758
iep	97.92	97.88	-0.04	97.92	97.87	421	6876
THRE	E MONTH	EUROYE	EUTUR	BS (LIFFE	Y100m p	cents of 10)O%i
	Open	Sett price	Change	High	Low		Open int.
Mer	99.47	99.47	+0.02	99.48	99.47	462	n/a
L un	99.38	99.38	+0.02	99.39	99.38	360	n/a
Sep	99.25	99.26	+0.02	98.28	99.25	2143	n/a
THRE	E MONTH	ECU FUT	URLES (LIF	FE) Ecuti	m points c	100%	
	Open		Change	Hìgh	LOW	Est vol	Open Int.
Dec	95.81	95.81	-0.01	95.82	95.81	563	7327
Mar	9 5 .94	95,94	+0.02	95.9 5	95.94	1528	9011
Jun	P5.96	95.96	+0.03	95.97	95.94	367	4300
Sep	95.92	95.93	+D.04	95.95	95.92	231	3206
		eded on APT	E 1000-	- nainte a	/ +000		

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CROSS	RAT	ES A	ID DE	RIVA	IVE	5												
EXCHA	NGE C	ROS	S RATI	ES ·					_									
Dec		BFr	DKr	FFr	DM ·	_ K	L	R	NKr	Es	Pta	SKr	SFr	£	<u>C\$</u>	\$	Y	Ecu
ielalvan	(BFr)	100	18.56	16,37	4.852	1.879	4778	5.443	20.24	489.1	408.3	21.33	4.143	1.879	4.263	3.123	356.1	2.51
ennark	(DKI		10	8.821	2.614	1.013	2575	2.933	10.91	263.6	220.8	11.49	2.233	1.013	2.297	1.683	,191.9	1.35
THISCO	(FFr)		11,34	10	2.964	1.148	2919	3.325	12.38	298.8	249.4	13.03	2.531	1.148	2.604	1.908	217.5	1.53
iermany	(DM)	20.61		3,374	1	0.387	984.9	1.122	4,171	100.8	84.16	4.396	0.854	0.387	0.879	0.844	73.39	
reland	(15)	53,22	9,878	B.712	2.582	1	2543	2.897	10.77	260,3	217.3	11.35	2.205	1.000	2.269	1.682	189.5	
alv	تة,			0.343	0.102	0.039	100.	0.114	0.424	10.24	8.545	0.446	0.087	0.039	0.089	0.065	7,452	0.05
letherland			3,400	3.007	0.891	0.345	877.8	1	3,718	89.85	75.01	3.918	0.761	0.345	0.783	0.574	85.41	0.48
DEWIN	NKI		9.170	8,089	2.397	0.929	2361	2.690	10 ·	241.7	201.8	10.54	2.047	0.929	2.107	1,543	176.0	1.24
ortugai	(Es)	20.45	3.794	3.347	0.992	0.384	976.9	1.113	4,138	100.	83.48	4.380	0.847	0.384	0.872	0.838	72.80	
oeki	(Pta)	24,49	4.545	4.009	1,188	0.460	1170	1.833	4.956	119.8	100.	5.223	1.015	0.460	1.044	0.765	87.21	0.61
weden	(SKA)	46.89	8.701	7.678	2.275	0.881	2241	2.552	9,489	229.3	191.5	10	1.943	0.881	1.999	1.464	167.0	1.17
witzerlend				3.951	1,171	0.454	1153	1.314	4.884	118.0	98.55	5,147	1	0.454	1.029	0.754	85.94	0.60
K	(2)	53.22	9.876	8.712	2.582	1.000	2543	2.897	10.77	260.3	217.3	11.35	2.205	1	<u>2.269</u>	1.682	189.5	
anada	(CS)			3.840	1,138	0.441	1121	1.277	4.747	114.7	95.77	5.002	0.972	0.441	1	0.732	83.52	
S	(5)	32.02		5.242	1.554	0.602	1530	1.743	6.480	156.6	130.7	6.829	1.327	0.602	1.365	1	114.0	0.80
epan .	ĸ	28.08		4.597	1.363	0.528	1342	1.529	5.683	137.4	114.7	5.989	1.164	0.528	1.197	0.877	100.	0.70
icit	3.4	39.78	7.381	6.511	1.930	.0.747	1901	2.165	8,049	194.5	162.4	8,483	1.648	0.747	1.696	1.242	141.6	1
unish Kroner	, French Fi					Kroner p	er 10; Be	igian Franc,	Yon, Esc	udo, Lira	and Pess	ts per 100	L					
D-MARK	FUTURE	ES (DATA)	DM 125.0)(00 per 1	DM			•	H T	PARE	SE YEX	FUTURE	S (MIMI) S	Yen 12.5	per Ye	n 100		
	Open	Latest				Ow 1	st vol	Open int.			Open	Latest	Change	High	h Ł	ow E	st vol	Open I
ec	0.6422	0.8441	+0.0005	-		429	6.898	34,355	Dec		0.8785	0.8787	+0.000	B 0.87	87 O.S	3773	5.974	23,70
ec er	U.U422	0.6478	+0.0008				24,985	47,004	Mer		0.8889	0.8905	+0.0012				27,277	51,90
yn .	_	~	-	_		-	133	4,408	Jun		- .	0.9010	-	-		-	218	1,21
SWISS F	ranc fi	TURES	(IMM) SF	125,00	D per S	Rr _			= 5	وغيري	O FUTU	HES (M	M 282.50	O per £				_
	A 7819	0.7544	_0.0044	0.754	4 07	7525	8.4ng	32,779	Dec		1.8590	1.8610	+0.0050	1.88	90 1 <i>6</i>	¥586	5.358	90.90

Mer Jun	0.7607 D.7680	0.7612	-0.0010		0 7E60	40 247	42.210
Jun	0.76983	A Book			0.7588 0.7680	19,217 30	1.382
	5 555	0.7665	-0.0024	U. (90 I	0.1000	30	r, orde
3186 (1	16120	ST RA	CES				
UK	ALEKE	SI UN					
LOND	ON MC	NEY A	ATES		•		
Dec 16		Over- night	7 days notice	One	Three months	Sex montins	One Year
interbank :	Sterling	64 - 54	6 ¹ s - 5 ¹ s	6 ¹ 8 - 6	6 a - 6 a	6% - 6%	67 - 63
Sterfing Ci	Ds	-	• -		642 - 6 ¹ 4	613 - 613	B12 - 63
Treasury B)	-	-		6 ¹ a - 6		-
Bank (Hills					616 616	016 - 617	
Local puth	contry depas.	5% - 54	5% - 54	648 - 6	5 2 - 6 t	B16 - B16	R-9 - B-
Discount N	Market dep	6 ¹ 2 - 5 ² 8	6 - 5%	-	-	-	•
			month	month	months.	worste	months
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\neg		0000	Lates	Chan	14 J.E.	gh	Low	Est. vol	Open Int.
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	III US TRE	ASURY !	MIL P	TURES (12 (J.D.E	m per	100%		
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1	9700	ŏ	0.02	0.04	9,06	0.25	0.14	0.16	0.18
	0795	n.	n	0.01	0.01	0.50	0.37	0.38	0.38
	Est vol. total	Calls 24	27 Puts 2	SBO. Previo	us day's	open k	s, Cale S	23464 Puts	355304
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European Investment Bank PTE 20,000,000,000 Gue 2001
For the times months 16th December, 1996 to 17th March, 1997, the Bonds will carry an interest use of 6.41% per angum with an interest majous of FFE 15.981 per FFE 1000,000 Bond, FFE 15.981 per FFE 1000,000 Bond and FFE 799,155 per FFE 10,000,000 Bond and FFE 799,055 per FFE 50,000,000 Bond, psysble on 17th March, 1997, in respect of Coupon No. 4. Lings on the Language, Soci Backarge Union Bank of Switzerland London Branck Agent Bank

This notice is issued in compliance with the requirements of the London Stock Exchange Limited (the "London Stock Exchange"). This notice does not constitute an offer or an invitation to any person to subscribe for or purchase any securities. Application has been made to the London Stock Exchange for admission to the Official List of the undermentioned securities. 17th December 1996

BPI Capital Finance Ltd.

(incorporated with limited liability under the laws of the Cayman Islands)

6,000,000 U.S.\$ Series A Floating Rate Non-cumulative Guaranteed **Non-voting Preference Shares**

> guaranteed by **BPI-SGPS, S.A.**

(incorporated with limited liability under the laws of Portugal)

Copies of the listing particulars may be obtained (for collection only) during normal business hours until 19th December 1996 from the Company Announcements Office, the London Stock Exchange, Old Broad Street, London EC2N 1HP and until 2nd January 1997 (Saturdays and public holidays excepted) Morgan Guaranty Trust Company of New York, 60 Victoria Embankment, London EC4Y 0JP.

> Merrill Lynch International Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY as Listing Sponsor

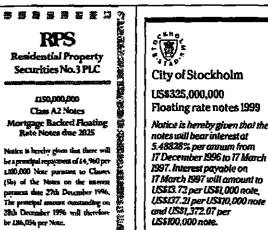
CHEVY CHASE MASTER CREDIT CARD TRUST II U.S.\$138,000,000 Class A Floating Rate Asset Backed Certificates, Series 1995-B U.S.\$12,000,000 Class B Floating Rate Asset Backed Certificates, Series 1995-B

Interest Account Rate Compon Amount (USD) 5.855470% U.S.\$673,379.05 U.S.\$59,754.70

European Investment Bank PTE 50,000,000,000

Gue 1998
For the three monaies 16th December, 1996
to 17th March, 1997, the Bonds will
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with an interest amount of PTH 1.505 per
PTE 10.000 Bond, PTE 16.056 per
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per PTE 50.000.000 Bond, psyable on
17th March, 1997.
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Union Bank of Switzerland
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O The Chase Manhattan Corporation U.S. \$400,000,000 Floating Rate Subordinated Notes due 2009 for the three months 16th December, 1996 to 17th March, 1997 the Notes will earry an interest rate of 5.6875% per amount with a coupon amount of U.S. \$143.77 per U.S. \$10,000 Note, payable on 17th March, 1997. Bankers Trust Agent Bank Company, London



Agent: Morgan Guaranty Trust Company **JPMorgan**

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COMMODITIES AND AGRICULTURE

Coffee recovers from earlier setback

MARKETS REPORT

By Alison Maitland, Philip Coggan and Peter John

Coffee futures prices largely recovered from falls in New York and London which fol- in October. lowed news of an increase in Department of Agriculture's

world crop forecast. The March arabica con-1.50 cents, while in London bags, up 1.8m from its June robusta futures for March prediction.

delivery ended \$3 lower at \$1,275 a tonne after dropping

Liffe said certified coffee stocks available for delivery rose to 2.104 five-tonne lots in November from 1,410 lots

Ms Judy Ganes, analyst June. Liffe coffee stocks and an with Merrill Lynch in New upward revision in the US York, said the jump in supplies had put the market

The USDA half-yearly foretract in New York closed at cast put global production 109.70 cents a pound, down for 1996-97 at 100.9m 60kg

It revised upwards its forecasts for Indonesia and Vietnam, two important robusta producers. Indonesia was put at 7.5m bags, up from 6.5m in June, while Vietnam's crop was estimated at 4.3m bags against 3.5m in

White sugar futures for May delivery eased \$1.60 a tonne to \$301.50 in thin Liffe

ED&F Man, the London broker, says in a report published today that sugar prices will continue to be dragged down as European ally weaker, as traders dealt central bank and producer

pressures on the market will Cuban supplies.

But it says the downside

crop is still far from certain, profits and squaring their and because white sugar producers in eastern Europe may stop exporting following the drop in prices. Iraqi for whites.

new year. Other downward month's "third Wednesday pricing" in two days' time. be larger raw sugar exports Tin slipped to a nine-month from Thailand and cheaper low and copper fell to the for the impact of the first \$2,100 support level.

"We have had fairly strong may be limited because the rises in the last few months final size of the new Cuban and traders are taking books," said Mr Robin Bhar, metals analyst at Brandeis. Gold edged lower in

listless trading. Mr Ted initial nervousness and tradbuying could also be bullish Arnold of Merrill Lynch said ers said the impact of Iraqi gold was "basically suffering exports was offset by low Metals prices were gener- from over-supply, from inventories and recent cold

Union supplies arrive in the in the cash market for the selling and, as time goes on the price is eroding away". Oil prices eased yesterday as the market steadied itself Iraqi supplies for six years.

Brent crude for January delivery was trading at \$24.075 in late afternoon on London's International

Petroleum Exchange. However, prices have recovered from last week's

Data on housing lift lumber market

By Laurie Morse in Chicago

The North American lumber market was lifted yesterday by expectations that US housing starts increased

slightly in November. The US government will release the data on newhome construction and applications for building permits today.

Traders expect the report to show a rise to 1.39m units on an annualised basis in 1.37m units the government leading indicator of future construction, are expected to increase to 1.37m units, from 1.36m in October.

Lumber prices are highly sensitive to bond prices, since mortgage rates change in tandem with the Treasury market. A dip in mortage rates this autumn helped in some parts of the US. send lumber futures prices at the Chicago Mercantile Exchange to life-of-contract to just-in-time inventory highs a month ago. However. management. "Historically prices have since retracted

sharply as bond yields rose. ber futures for January spring building season," he delivery at the CME were \$5 said. "They are not doing higher than Friday's close, that this year, and we've at \$385.50 per thousand

board feet. The November high in the contract was

"We're expecting to see a modest rebound in new home starts," said Mr David Berson, chief economist with Fannie Mae, the national mortgage insurance agency. "Housing starts have dropped faster than home sales in the last six months." He said higher mortgage

rates this summer may have discouraged home builders, November, up from the even as home sales approached record levels in forecast in October. Applications for building permits, a case of builders catching up, he said.

Mr Neal Schmaedick, lumber analyst for Smith Barney, said seasonal factors have dented demand for lumber, contributing to futures market declines in the last month. Cold weather has limited new construction

Furthermore, he said many retailers have moved at this time of year, retailers would be building invento-At midday yesterday, lum- ries in anticipation of the seen a lull in demand."

Indian mining pulls in \$500m

By Kenneth Gooding, Mining Correspondent

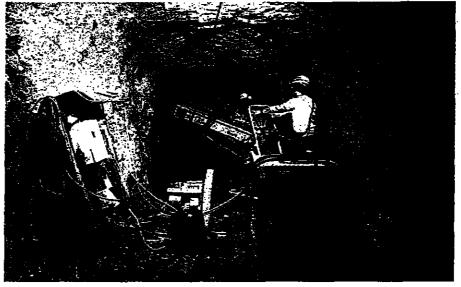
The message that India is attempting to attract foreign capital into its mining industry for the first time in decades is bearing fruit. About \$500m of investment by some of the world's biggest mining companies has been approved by the Foreign Investment Promotion Board in recent months.

The list of investors includes Ashton Mining, BHP and Normandy of Australia; De Beers of South Africa and RTZ-CRA, the Anglo-Australian group, according to Mr A. C. Sen, secretary to the ministry of

Most of the money is being

used to set up exploration companies, and the main target is diamonds. India's diamond cutting and polishing industry – with 6m directly employed – imports about 70m carats of rough (uncut) stones a year while domestic diamond mining produces only 26,000 carats. The country was once the world's sole diamond producer.

Mr M. Mukherjee, chief controller of mines, Indian country produces two tonnes of gold but consumes an estimated 250 tonnes. He said



India was once the world's sole producer of diamonds but now imports about 70m carais

per cent of its copper requirements, it mined no nickel and that by 2000 there would be room for another 120,000 tonnes of annual primary aluminium production. There are opportunities for foreign participation in

bauxite, iron ore, copper, Bureau of Mines, said at a chromite, diamonds, gold seminar in London that the and potash," he said. He was speaking at an Indian government seminar

tial among overseas investors. It was sponsored by earth. More advanced geo-NatWest Markets, Arthur chemical, aero-magnetic and Andersen and Ashurst Morris Crisp, and organised by Mining Journal Research

Mr Sen said India needed that planned by 2002. Although India had a rich mining heritage dating back 6,000 years and 93 per cent of held to raise awareness of the country had been geolog-

India provided for only 30 the country's mineral poten- ically mapped, "it is one of the least explored areas on geophysical techniques have not yet been put to any significant extensive use."

The delegates were also told there were several iron twice as much exploration as ore, bauxite and copper mines that needed capital and there were opportunities for mining equipment manufacturers because so much plant needed replacing.

COMMODITIES NEWS DIGEST

SIB set to release report on LME

The Securities and Investments Board, the UK's leading financial watchdog, yesterday said it would release its report on regulating the London Metal Exchange on-Thursday. The LME invited the SIB to conduct the review after the Sumitomo Corp copper troubles bit commodities markets. The Japanese trading house lost \$2.6bn and has since fired Mr Yasuo Hamanaka, its chief copper trader, accusing him of running up the losses in unauthorised

The report will be in two sections, one covering recommendations for reform, the other a review of all the submissions it received. The SIB has said that it thinks commodities markets are highly susceptible to manipulation. When the SIB asked for responses to its discussion paper, the most frequently highlighted areas of concern were the composition of the LME board and whether this created conflicts of interest. The LMR board is dominated by broker members and it has been suggested that reform should include the appointment of

It is also likely that the SIB will highlight changes to the reporting of large holdings in the market. The LMC dominates world metals trading with 95 per cent of the world's copper futures and 100 per cent in most other

New Chile smelters likely

more independent directors.

Chile's booming copper industry will produce enough copper concentrates in the coming years to supply two new smelters which are currently under study, said trade group National Mining Society (Sonami). "It's probable that there is justification for two smelters," said Mr. Hernan Hochschild, Sonami president.

Sonami started work two months ago on a study for South Korean industrial giant Hyundai on the feasibility of building a smelter which would process 400,000 tonnes of copper concentrates a year. "The report has been delayed and should be ready in March, three months late than originally expected," Mr Hochschild said.

Last week Endesa, the Chilean electricity giant, said it had struck a deal with Finland's Outokumpu to study the construction of an \$800m smelter to process 1m tonnes of copper concentrates.

Setback for Venezuela cocoa

Venezuela's production of fine aromatic cocoa is expected to drop by as much as 30 per cent to around 11,500 tonnes due to unseasonable weather and beavy rains, Venezuelan exporters said. Torrential rains over the past month had "really hurt the production of carinero superior cocoa," said Mr John Kehoe of Venezuela Commercial Cacao. "Although the Rio Carlbe cocoa in eastern Venezuela has been less hurt, it's going to be a hard year, especially as a number of merchants are short," he added.

Venezuela produces some 16,500 tonnes of cocoa each year, about 0.5 per cent of the world market, but nearly 20 per cent of the world's flavour crop.

COMMODITIES PRICES

BASE METALS **LONDON METAL EXCHANGE** (Prices from Amalgamated Metal Trading) E ALUMINIUM, 99.7 PURITY (\$ per tonne)

1481.5-82.5 1513-13.5

Previous	1499-1500	1529-30
High/low	1478/1475	1517/1507
AM Official	1475-76	1508-09
Kerb clase		1516-17
Open Int.	255,372	
Total daily turnover	113,611	
B ALUMINIUM ALI	LOY (\$ per to	rene)
Close	1325-30	1355-60
Previous	1335-40	1365-8
High/low	1325	1358/1355
AM Official	1324-25	1357-58
Kerb close		1357-60
Open Int.	6,399	
Total daily turnover	2,480	
E LEAD (S per tons	ie)	
Close	682-3	688-9
Previous	707.5-8.0	699-700
High/low	691/690	695/687
AM Official	685-6	689-90
Kerb close		687-8
Open int.	39,262	
Total daily turnover	13,985	
ME NECKEL (\$ per to	nne)	
Close	6455-65	6560-65
Previous	6545-55	6645-8
High/low	6522/6520	6650/6515
AM Official	6520-22	6635-40
Karb close		8 510-15
Open Int.	48,495	
Total daily turnover	16,770	
TEN (5 per tonne)		

Close Previous High/iow AM Official 6770/568 5715-20 Open Int. Total delly turnove 17,032 4,825 ZINC, special high grade (\$ per tonne) Close Previous High/low AM Official 1025-26 1049-50 1055-5.5 1031-2 1045-47

■ COPPER, grade A (\$ per torrie) Previous High/low AM Official 2133-34 2082-84 168 629

ME HIGH GRADE COPPER (COMEX)

100.05 -2.45 102.00 99.50 1.017 4.445 98.65 -2.90 101.60 98.00 158 6.302 97.65 -3.00 98.90 97.30 59 1.425 96.65 -2.65 99.50 96.20 3,710 24,002 95.25 -2.45 97.50 95.30 22 940 94.00 -2.20 96.50 83.60 145 4,709

PRECIOUS METALS

Gold(Troy oz)	\$ price	£ equiv	SFr equiv
Close	368.70-369.00		
Opening	368.20-368.60		
Morning fix.	368.60	222.02	489.28
Afternoon fix	368.25	221.61	488.37
Day's High	368.60-388.90		
Day's Low	367.45-367.75		
Previous close	369.00-369.40		

Loco Ldn Meast 1 month	.3.24 6 mon .3.25 12 mo	ths3.50	
Stiver Fix	ρλιού σε	US ets equiv.	
Spot	289.95	481.00	
3 months	293.95	488.74	
6 months	298.30	492.80	
1 year	307.20	504.90	
Gold Coins	\$ price	viupe 3	
Krugerrand	368-370	221-223	
Maple Leaf	-	-	
New Sovereion	86-88	82-54	

Precious Metals continued GRAINS AND OIL SEEDS GOLD COMEX (100 Troy oz.; \$/troy oz.)

Dec	368.4	-0.2	368.6	367.7	54	706
Jan	368.9	-0.5	_	-	-	-
Feb	369.9	-0.5	370.5	369.1	11,635	91,740
Apr .	372.1	-0.4	3724	371,3	302	21,817
Jan .	374.4	-0.4	374.7	373.7		15,719
Ang	376.B	-0.3	_	_	405	5.398
Total		-			13,009	(M.755
E PL	ATINUM	NYME	X 450 '	Trov oz	\$/tro	v az.)
jen –	370.1	-0.7	371.0	369.1		15,743
Ąт	3720	-0.6	3728	371.0		11,993
التا	374.7	-0.6	375.0	374.5	45	
Gct	377.4	-0.6	379.0	377.5	415	
Total					6,934	31,931
E PA	LLADIUR	M NYM	EX (100	Troy o	z.; Sim	0y 0Z.)
Dac	117.75				34	22
War .	119.75	_	120.25	119.25	185	7.254
Jein	121.05	-	_	_	2	385
Sep	122.05	_	_	_	_	5
Dec	123.05	_	-	_	_	17
Total					167	7,683
E SE	VER CO	JEX (5,	200 Troy	7 02.; Ca	nds/troy	(02.)
Desc	478.2	-1.3	479.0	477.0	70	129
	478.6	-1.5		478.0	5	22
Feb	481.0	-1.5		7100	_	2
Mar	483.5	-1.5		482.0	5.596	_
May	487.9		488.5	486.5	36	9.434
Jei	492.2	-1.5	493.0	491.5	4	8.351
Total	7-52-52	- q,d		~44.4	•	83.530
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ENERGY

F CRUDE OIL IPE (\$/ba

III LIME AM Official E/\$ rate: 1,8585 LME Closing £/\$ rate: 1.6630 Soot: 1,6628 3 miles: 1,6596 6 miles: 1,6535 9 miles: 1,6513

CRUDE OIL NYMEX (1,000 barrels, \$/barrel)

23.80 +0.76 23.80 23.15 2.682 19.626 23.30 +0.74 23.30 22.73 2.216 16,415 22.70 +0.59 22.70 22.11 3.216 28.422

W HEATING OIL WYNEX (42,000 US gails.; c/US gails.)

W GAS OR, PE (SADINE)

222.50 +17.25 222.75 216.50 10.407 28,940 215.25 +14.00 215.75 210.25 4,175 11,566 207.25 +12.75 207.50 202.75 1,491 8,222 198.50 +11.00 199.75 194.75 452 5,824 192.25 +10.00 192.00 189.75 130 2,928 187.75 +9.50 187.50 184.50 154 7,482 13,129 71,318 MATURAL GAS NYMEX (10,000 mmEx); \$/mm@to;

4.420 +0.569 4.440 4.050 23.633 34.000 3.830 +0.415 3.650 3.550 8.661 28.661 3.134 +0.150 3.134 3.100 2.913 18,313 2705 +0.150 2705 2,600 1,111 9,339 2,435 +0.125 2,450 2,330 607 6,913 2,310 +0.100 2,330 2,235 554 5,847 40,707 150,270

■ UNLEADED GARGUNE NYMEX (42,000 US galls.; c/US galls.) 89.00 +1.96 69.05 67.00 11.880 20.032 68.05 +1.75 68.05 66.85 2.150 9,677 89.50 +1.55 89.50 83.45 738 4.475 88.45 +1.05 88.55 67.90 554 2,960 66.90 +0.65 65.90 66.70 140 2,586

27.

■ WHEAT LIFFE (£ per tonne)

95.75 -0.85 96.25 95.50 108 1,117 98.15 -0.60 98.45 98.00 111 2,061 100.00 -0.60 100.35 99.90 83 2,384 101.15 -0.70 101.25 101.15 45 334 93.50 -0.50 - - - 2 95.50 -0.50 95.75 95.75 20 838 WHEAT CST (5,000bu mirt; cents/80b bushel) 396.00 +7.00 396.50 388.75 9.226 31.265 359.50 +5.50 359.50 357.00 12,083 57,031 270.00 +2.75 270.50 267.50 8,030 10,381 263.50 +0.75 264.00 261.75 23,960147,451 285.75 +1.00 286.25 263.75 4,631 52,835 267.75 +0.75 266.00 266.00 5,242 55,558 262.25 +0.75 262.25 261.25 217 5,782 250.50 +0.25 260,75 259.00 1,827 35,790 42,142 316,778 BARLEY LIFFE (2 per tonne)

SCYABEANS CET (5,000bu unio; cente/60b bushe) 711.50 +7.25 712.00 703.50 23,103 50,313 707.00 +8.25 708.00 701.00 10,275 42,058 704.55 +6.00 705.00 699.00 2,746 24,516 705.75 +6.75 706.00 699.00 3,005 33,645 703.00 +8.00 703.00 698.00 41 2,838 688.00 +7.50 688.00 681.50 39 441 40,956 154,546

SOYABIEAN OR CET (60,000fbs: cents/fb) 23.13 -0.02 23.25 23.03 2.055 1,747
23.32 -0.03 23.49 23.22 5,867 23,395
23.74 +0.01 23.84 23.57 4,807 27,554
24.07 +0.03 24.15 23.90 1,747 13,289
24.32 +0.04 24.35 24.15 28.96 9,558
24.32 +0.04 24.35 24.15 28.96 9,558
24.32 +0.03 24.42 24.27 10 1,844 24,32 +0.03 24,42 24.27 SOYABEAN MEAL CET (100 tons; \$/ton) 2422 44.8 242.1 237.9 1,164 5,638 231.3 44.5 231.5 226.8 5,599 23,973 224.1 43.5 224.2 221.1 3,986 24,357 219.3 +3.0 219.3 217.0 2241 14.995 218.4 +2.7 218.5 215.5 1.558 10.706 217.0 +2.7 217.0 215.0 13 2.058 15,005 85,169 POTATOES LIFFE (E/horne) 1,260 39 -- 1125 1120 1,855

Dec Jan Mar May

64.0 74.0 113.0 FREIGHT (BIFFEX) UFFE (\$10/Index point) 1520 1455 1225

FUTURES DATA

There was good demand reports the Tea Brokers' Association. Landed better liquoring Assume sold well and often appreci-ated while others were about steady. Brightest East Africans advanced but mediums showed an easier tendency. Offable 202p/kg. Good 130p/kg. Good medium 125p/kg. Medium 114p/kg. Low medium nq. The highest price realised this week was 202p/kg for a Rwanda.

COCOA LIFFE (2/tonne

860 -913 -7 933 -6 951 -3 968 -3 979 -1 866 42 145 970 1,926 49,560 930 367 17,064 945 183 12,288 968 199 8,283 978 277 6,515 M COCOA CSCE (10 tonnes; \$/tonnes) Mar May Jul Sep Dec Mar Tetpi 1373 1358 6,021 39,223 1384 1,157 11,669 1408 384 7,337 384 7,337 24 6,709 1 1,396 85 4,682 7,577 75,779

COFFEE LIFFE (\$/tomne) - 1332 1310 2,283 13,699 -3 1281 1256 2,190 20,737 -3 1201 1247 758 6 +1 1248 1224 758 6 -4 1238 1227 152 1 -1 1232 1225 130 768 6,472 152 1,799 130 984 7 568 M COFFEE 'C' CSCE (37,500tbs; cents/fbs) 124.50 -4.90 129.25 124.00 245 427 109.95 - 1.25 112.50 106.50 6.990 15.697 107.40 -0.90 109.70 106.20 2.084 8.443 105.75 - 1.25 108.20 104.70 743 1.858 103.75 - 1.25 108.20 104.70 743 1.858 103.75 - 1.25 105.75 103.00 419 1.477 101.95 -1.10 104.00 101.00 160 1.888

Dec Mer Mey Jai Sap Dec Total E COFFEE (ICO) (US cents/pound) WHITE SUGAR LIFFE (\$/10/118) 301.4 -2.0 303.3 307.2 1,277 15,350 300.9 -2.2 302.7 301.0 94 5,460 302.2 -2.2 302.0 302.0 6 2,617 300.1 -0.8 - - 1,732 301.5 -0.2 - - 557 302.7 -0.2 - - 377 E SUGAR '11' CSCE (112,000fbs; cents/lbs)

10.56 -0.17 10.56 10.5330,806 79,890 10.54 -0.15 10.69 10.62 3,546 30,582 10.63 -0.11 10.68 10.63 1,672 22,212 10.89 -0.11 10.70 10.67 183 12,727 10.70 -0.11 10.71 10.68 786 3,643 10.69 -0.11 10.75 10.75 92 335 37,971 149,812 COTTON NYCE (50,000lbs; cents/fbs) 75.85 -0.25 76.17 75.70 8,802 25,946 76.82 -0.26 77.09 76.70 1,063 10,581 77.65 -0.22 77.87 77.80 459 7,851 77.12 -0.13 77.25 77.15 8 1,236 76.80 -0.04 76.80 76.65 157 9,610 77.62 -0.13 - 1 490 Dec Mar Total 5.499 68,037 M ORANGE JUICE NYCE (15,000bs; cents/fbs)

91,40 -1.00 93.20 91.25 1,143 10,019 91.40 -1.00 83.20 \$1.25 1,145 10,000 94.95 -1.05 98.00 94.75 1,415 11,165 98.00 -1.15 98.50 98.00 221 3,120 100.75 -1.35 102.50 107.75 65 730 104.00 -0.90 104.50 104.50 1 269 184.00 - 104.00 104.00 15 78

VOLUBATE DATA Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CET, NYCE, CME, CSCE and IPE Crude Oil are one day in amears. Volume & Open interes

INDICES Francisco (1849: 18/9/31 - 100) Dec 16 Dec 13 month ago year ago 1885.5 1864.9 1870.6 2133.4 CRS Futures (Bese: 1967 = 100) Dec 13 Dec 12 month ago year 243.78 241.75 ■ G9Ci Spot (Base: 1970 = 100)

MEAT AND LIVESTOCK ELIVE CATTLE CME (40,000lbs; cents/lbs)

68.875 +0.1 67.675 66.525 2,088 7,514 63.975 +0.1 84.000 63.500 5,000 32,227 B4.975 - 65.025 64.750 2.038 21.917 9-3475 — \$5,022 84,750 2,056 27,517 82,875 —0.15 62,850 62,550 1,180 9,275 82,400 —0.2 62,600 62,360 558 8,026 64,875 —0.225 85,050 64,850 143 8,074 III LEAN HOGS CME (40,000fbs; cents/fbs) 60.000 +1.1 60.050 58,775 1,896 4,858 75.750 -0.35 76.500 75.675 5.196 14,042 71.725 -0.06 72.300 71.675 886 5,482 74.800 +0.125 75.000 74.500 882 4,897 71.825 - 68.200 67.900 9,080 32,890 77.700 -0.825 78.950 77.300 1.982 4.521 Feb Mar May Jul 76,900 -0.6 78,300 76,600 77,600 -0.9 78,600 77,300 77,675 -0.75 78,700 77,425

9 19 35 83 88 55 COPPER (Grade A) LME 116 95 76 1 6 30 1350 . 860 . 875 . 900 . LONDON SPOT MARKETS E CRUDE OR, FOB (per berrei)

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Naphtha
Jet tuel \$113-115 \$219-221 \$253-264 \$236-237 MATURAL GAS (Pence/therm) 18.50-19.00 -1.00 London (0171) 359 8792 Gold (per tray az) \$
Silver (per tray az) \$
Platthum (per tray az) 480.50c

\$387.75 Copper Leed (US prod.) 108.0c 45.00c Tin (Kusia Lumpur) Tin (New York) 14.51r 269.50 Cattle (live weight) Sheep (live weight) Figs (live weight)† Lort. day sugar (raw) Lort, day sugar (we) Barloy (Eng. feed) Maize (US No3 Yellow) Wheat (US Dark North) 127.0 Ung Rubber (Jan)♥ Rubber (Feb)♥ 80.60p 318.0x Rubber (KL RSS No1) Coconut Oil (Phillis \$795.0v

LONDON TRADED OPTIONS

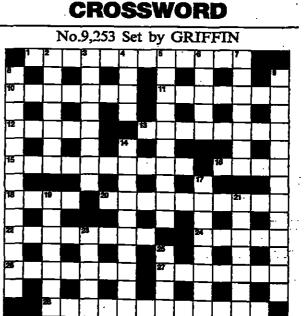
Brent Blend (disted Brent Blend (Feb) \$24.05-4.10 \$23.74-3.76 W.T.J., \$24,95-4,96w IE OIL PRODUCTS HWE prompt delivery CIF (tunne)

-20 -1.00 Palm Oil (Malay.)§ Copra (Phili§

195.Dz E per tonne unless otherwing ringstries, in Malesyelin C. London Physical. § CF R: Change on week. †Beset month of January.

JOTTER PAD

The % of the World's fresh water found in The game of Skill, Judgement and Nerve Antarctica (Spread 5%) Yesterday's answer: Telephone 07000 782080 231 inches



ACROSS I Drunken reveller can hail a 2 A number agree to differ, cab travelling north (12) being mean (7) 10 Unnecessary, pointless, one-eyed joiners? (7)

3 US state with a source of pink powder (8) one-eyed joiners? (7)
Care: oil damages heat unit
4 When student's in love too (7) (4)
12 Frighten a trainee member 5 Cita charts prepared for

13 Skilled performer needing 6 Home hired by mouth of objets d'art rings round (8) 15 Using raw egg as fresh fruit 7 Apprehensive engineers 16 invites for a weekend on 8 Foul chaps having back board (4) 18 Some teas you'll supply with a piece of cake (4)

20 A clever tin designed for 14 A monarch is refusing support, one end fixed (10) liquor (10) 22 Wild eagle, once overhead, 17 Red, black and green with fish (5) 26 School period in one of several stations (7)

27 Feeling round cogwheel (7) 28 Do icing sugar shapes

fashionable glass top (8) 24 Hands back coin found in 19 Guided horse about to be impounded (7) 21 Type no vicar is admitting 23 A spinster could be wrong 25 A party, if not way out! (4)

street affairs (13)

over in the Rising Sun (7)

9 Giving proof of evil spirit

starting trouble (13)

planners (10)

creek (5)

Solution to Saturday's prize puzzle on Saturday December Solution to yesterday's prize puzzle on Monday December

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FT MANAGED FUNDS SERVICE

Offshore Funds

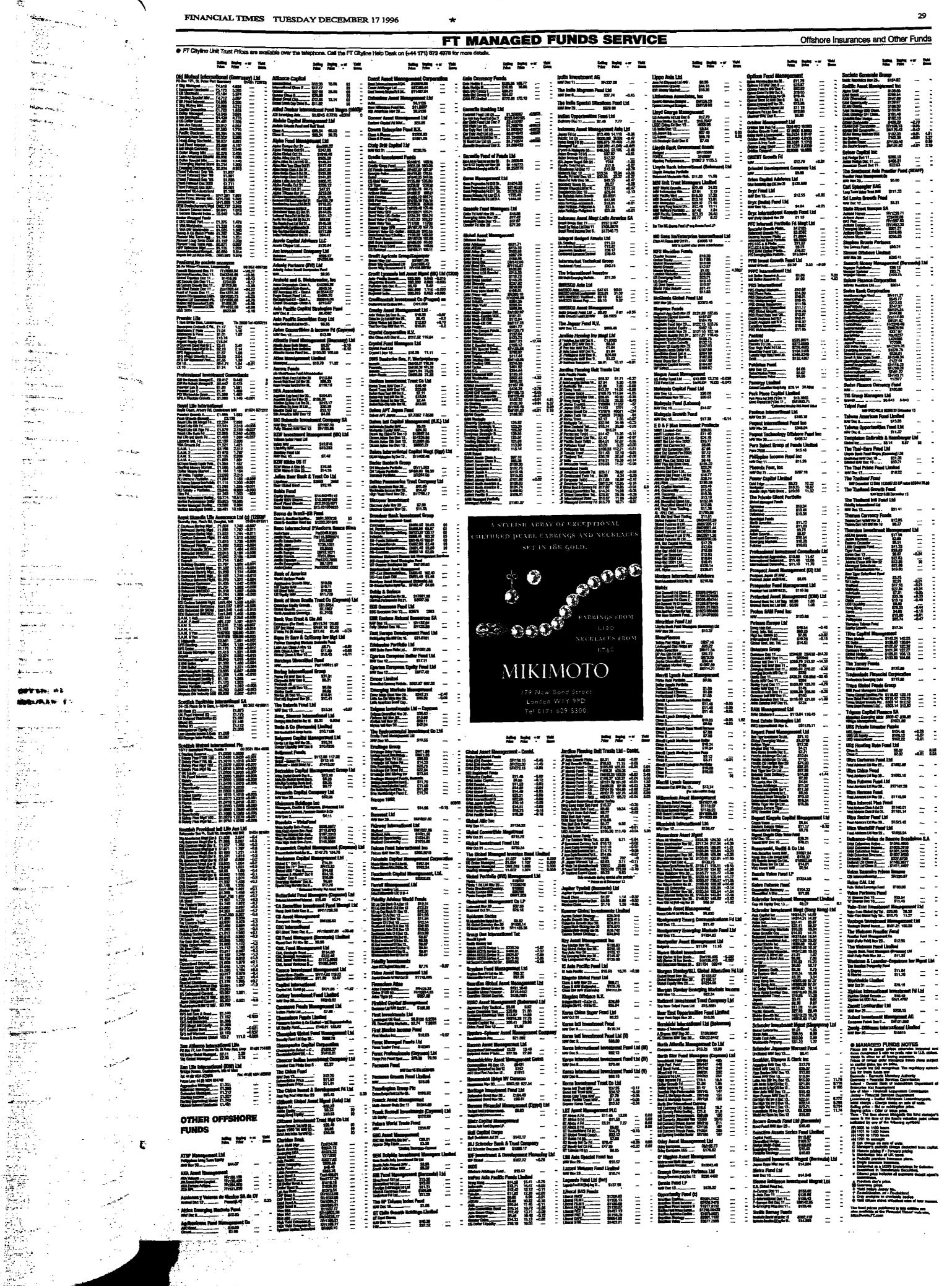
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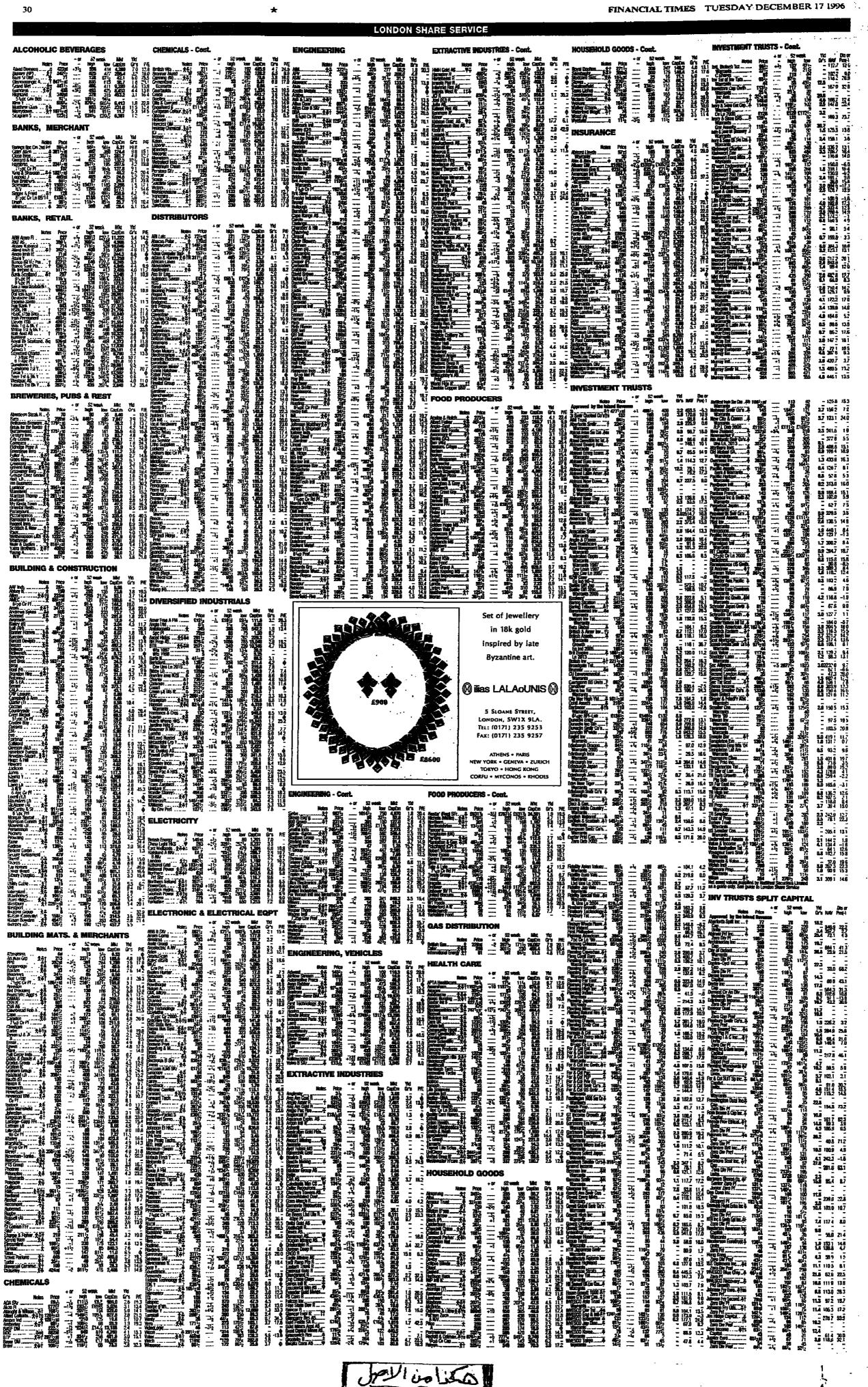


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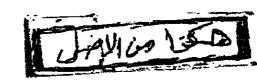
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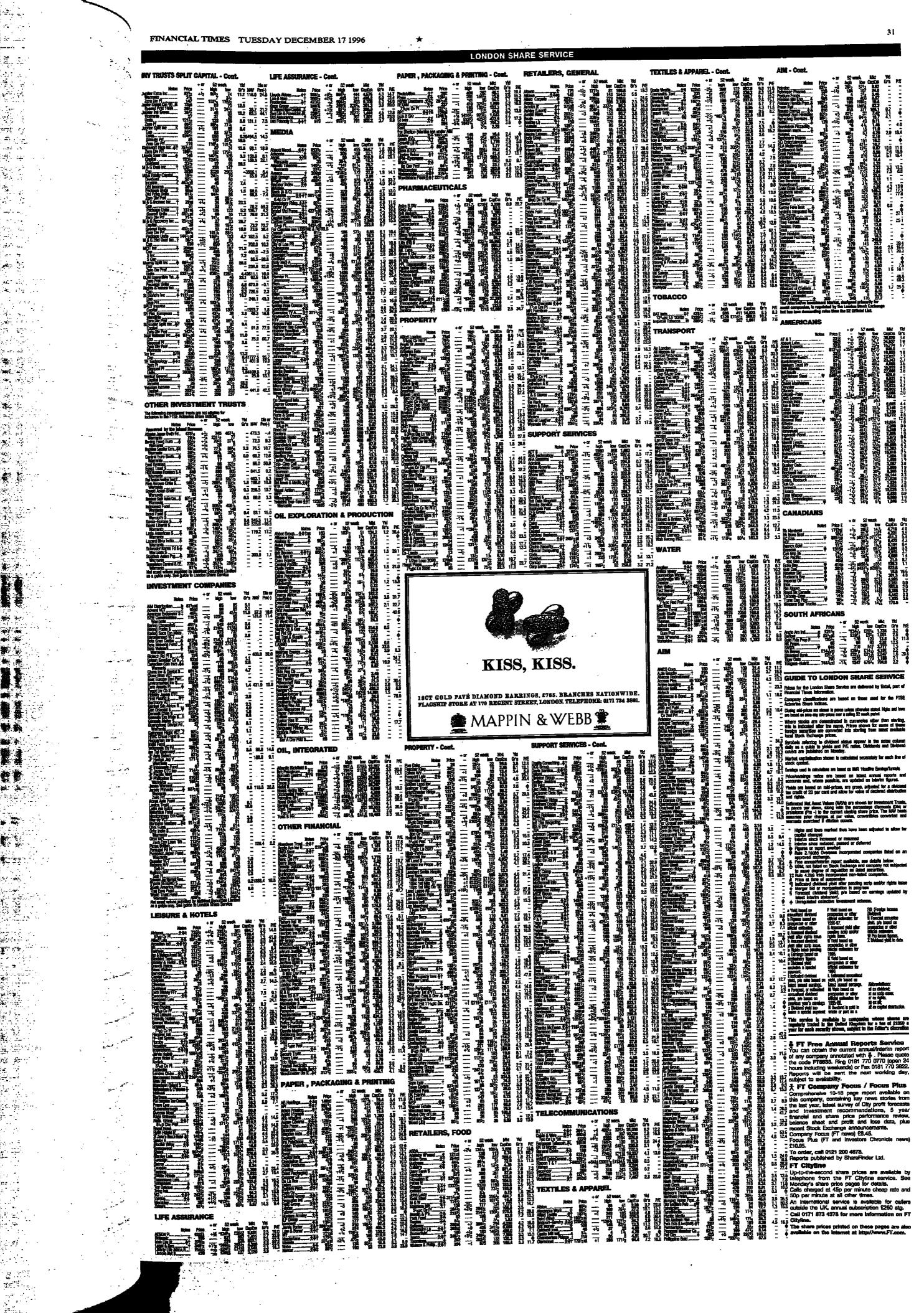
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LONDON STOCK EXCHANGE

Footsie closes just short of the 4,000 level

MARKETS REPORT

By Steve Thompson, UK Stock Market Editor

The appearance of a couple of domestic takeover bids, a good early showing by global bonds and a reassuring performance by Wall Street saw London equities lost over the past couple of

The FTSE 100 index, having launched an ultimately unsuccessful attempt to clamber back over 4,000, nevertheless ended the session 21.4 points higher at 3.993.8, the best of the day.

mate in the leaders quickly the growing feeling that further the US, which was seen as spread to the rest of the market, where the FTSE 250 index settled 12.9 ahead at 4.371.2 and the

FTSE SmallCap 3.6 at 2,132.0. There was an element of unease in gilts which came under pressure late in the session. ahead of last night's fisheries policy vote in the House of Comregain some of the composure mons, which traders worried could be close.

Gilts were additionally unsettled by economic news from the US, notably a stronger-than-expected industrial production figure for November.

Overall, dealers said they had And the much healthier cli- ket's resilience, but pointed to and Alexander and Alexander of

takeover action in London might not be too far away.

Although much of the early talk in London was about the multi-billion dollar merger between Boeing and McDonnell Douglas, there was no shortage of UK bid speculation.

News of the merger of Lloyd Thompson and JIB, two of the second-tier insurance brokers, was immediately followed by a burst of intense activity in Willis Corroon and Sedgwick, the UK's two biggest.

The latter two stocks were hammered last week in the wake been surprised by the UK mar- of the merger of Aon Corporation

removing two potential predators. But the feeling is that more moves could be imminent in the UK insurance sector, Commercial Union and Guardian Royal

Exchange were both bid aggres-

sively higher late in the day.

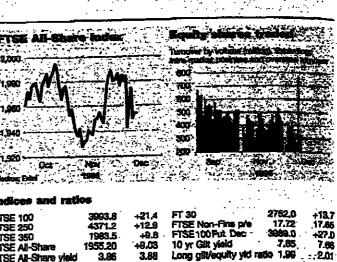
Marketmakers said they expected the big institutions to try to bulk of equity markets look keep Footsie within sight of 4,000 for year end. One said: "4,000 is seen as pretty much good news for everybody; but I wouldn't ignore the possibility of more big moves before they bring the curtain down on 1996."

Lehman Brothers, the US broker, has adopted a more bullish shares. Friday's customer busistance towards UK equities, mov-

ing its recommended weighting from neutral to overweight within a pan-European equity portfolio.

Strategists at Lehman said: "UK equities look cheaply valued relative to gilts and this stands in marked contrast to the position elsewhere in Europe where the expensive compared with bonds." Lehman expects a 12-month total return of 21 per cent from the UK, expressed in dollars, compared with 9 per cent for Europe ex-UK; this translates into a yearend Footsie target of 4,600.

Volume at 6pm was 649.1m



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Shell loses ground

Shell Transport slipped 31/2 to 982p as analysts came away from a high-profile. two-day presentation in London and New York with

mixed feelings. On the bull side. Mr Fergus MacLeod of NatWest between Boeing and McDon-Securities said: "We are more convinced than ever before that the market is underestimating the scale of change under way in Shell and its implications for earnings and dividend growth."

Nevertheless, Mr MacLeod favours the Royal Dutch arm because of the impact of sterling's recent strength on Shell Transport's earnings.

Meanwhile. Mr John the consortium. Toalster of SGST said that while the management gave a "forceful and wide-ranging presentation", the signals about future change were evolutionary rather than revolutionary.

News of a merger among two insurance brokers revitalised the prospect of consolidation among the sector Lloyd Thompson and JIB

agreedmerger terms in a out government intervendeal expected to produce big tion".

US. The perceived bidders are said to be the new Aon wick gained 51/2 to 132p, analysts suggesting that based on the price Aon paid for rival Alexander & Alexander, the price for Sedgwick would be about 160p per

share. Willis rose 4 to 1351/2p. The bulls of British Aerospace finally gained the upper hand as analysts tried to establish the implications of the proposed merger nell Douglas which will create the world's leading aero-

space and defence company. Shares in BAe hardened at the start of the session but then fell back sharnly as the bears pointed to stiffer competition for the European Airbus consortium. BAe not only builds the wings on the Airbus aircraft but also holds a 20 per cent stake in

However, the optimists finally won the day and the shares eventually closed 11 ahead at 1136%p with some 2.5m having been dealt. Analysts suggested the deal was favourable for BAe because, "not only does this (deal) remove McDonnell Douglas as a competitor for Airbus, but it could also force Airbus to become an independent company that operates with-

Bass, quoted ex-dividend, Lloyd Thompson added 11/2 hardened 3% to 799p after it at 174p while JIB, floated at announced the sale of 47 210p five years ago, rose 21 Holiday Inns and 14 hotel management contracts to Sedgwick and Willis Cor- Bristol Hotel Company in roon were both moved return for a 36.1 per cent

Several analysts described the deal as a good one although it is marginally dilutive. They said the next issue was what Bass did with the cash, with some suggesting a special divi-

dend as one alternative. Gibbs Mew the regional brewing and pubs company, poor interim results and a warning that full year results would be disappoint-

A number of food retailers. generally perceived as defensive stocks, strengthened including Tesco, which gained 31/4 to 3481/sp and Safeway which rose 7 to 389p. J Sainsbury climbed 9 to 363p, with some speculation that sales were improving on the back of its Reward loyalty card. In the autumn, the

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repayments. The total transpoints on a number of items. ing approved a revised rate action is valued at around Asda continued to rise, card for the supply of BSkyB strengthening 2% to 124p ahead of interim figures expected to be at the top end

of forecasts - on Thursday. Rank Group strengthened 6 to 433%p ahead of Thursday's trading update while Capital Corporation weakened 13 to 157p after a broker's downgrade last week. One analyst said the stock was trying to find a level.

BSkyB, the satellite television broadcaster, was one of the Footsie top guns on the back of a positive press report and an OFT state-

The article in the financial days to push ahead with the digital satellite television revolution by spending some

Then, later in the after-

- 30 MK	Dec 16	Dec 13 :	Dec 12 .	Dec 11	Dec 10	Yr ago_	"High	LOW	
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P/E ratio nil	16.48	16,39	16,50	16.52	16.71	15.37	17.30	15.71	
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Dec 16 Dec 13 Dec 12 Dec 11 Dec 10 Yr ago SEAQ bargains Equity turnover (Emit) Equity bargains† Shares traded (mit)† 92,705 30,541 30,890 34,835 36,321 27,079 - 895.6 945.3 1387.9 1337.9 1481.5 - 15,827 15,983 17,801 18,395 31,579 - 325.5 332.3 410.1 774.5 571.2

2742.8 2747.2 2753.0 2748.7 2749.3 2753.9 2751.3 2742.4 2745.1 2754.2 2758.8

Dec 16 Dec 13 Dec 12 Dec 11 Dec 10 Yr ago "High "Low 1015.60 1013.50 1017.90 1018.60 1022,10 - 1140.40 965.70

higher as the market specu- stake in the company and Dec 16 Data based on Equity shares listed on the London Share Service

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UNION CAL Ltd.

lated about an offer from the \$391m of debt and cash card started offering extra noon, the Office of Fair Trad- can to begin in the second channels to broadband cable

operators. Analysts said there had been a feeling that the broadcaster had veered from its targets and yesterday's news showed it was back on track. The shares, which had fallen 31 per cent since hit-ting their peak in mid-October, bounced 13 to 489%p.

Pearson improved 7 to 701p ahead of an eagerly awaited statement from the company tomorrow. Most of Pearson's profits are weighted towards the second half and, consequently, the statement will give analysts press said BSkyB would the first genuine opportunity decide within the next few to gain an insight to this vear's trading. However, Pearson - which owns the Financial Times - is said to be concerned about too much hope creeping into the

share price. Caradon, the building materials group, strengthened 5 to 241%p with Merrill Lynch upgrading its estimates for the current year by £3m to £176m and by £2m to £191m in 1997. Merrill Lynch said that this was a reflection of an underlying improvement in the UK boiler market and the US doors and windows business.

Hepworth weakened 81/2 to 250p with a couple of analysts' downgrading, including Merrill Lynch, which trimmed its estimates from £71m to £69m this year and from £81m to £73m next

Scotia Holdings jumped 30 to 642%p after the pharmaceuticals company said its Foscan compound to treat head and neck cancer received 'Investigational New Drug' status from the US Food and Drug Adminisration. The cor the approval paved the way for a US clinical trial of Fos-

FTSE Actuaries Shar

quarter of 1997.

Shire Pharmaceuticals lifted 81/2 to 2021/2p on the back of positive clinical studies for two of its products and licensing deals for its BetaRange of hormone replacement therapy prod-

Commercial Union, which spiked higher late on Friday afternoon on a spattering of end-of-week takeover talk, rose a further 15 to 680p yesterday on healthy turnover of 6m shares.

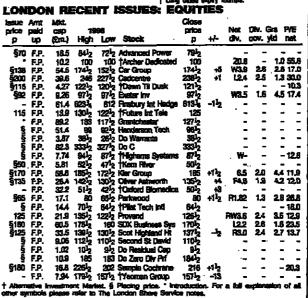
Dealers reported a shortage of stock in British Airways which helped send the shares sharply ahead. They closed 10 up at 586½p, with a mere 1.1m having been dealt by the close.

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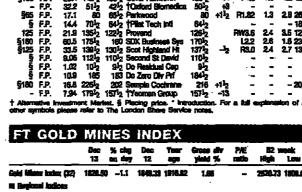
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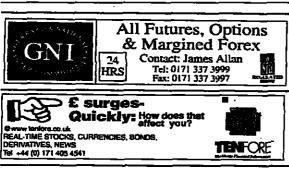
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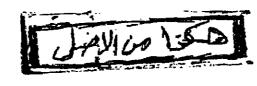
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Dow up on **Boeing-led** merger buzz

Merger activity helped lift blue chip shares in the Dow Jones Industrial Average at midsession, writes Lisa Bransten in New York.

Just afterwards Mr Barton Biggs, the global strategist at Morgan Stanley, adopted a bearish tack, slashing the equity weighting in his global portfolio from 74 per cent to 56 per cent and increasing cash from zero to at \$57.

Investors had reacted positively to the weekend price of Philip Morris. The announcement that Boeing had agreed to acquire McDonnell Douglas in a deal that would create the world's largest aerospace and defence company. Boeing added \$5% or 6 per cent to \$102, boosting the value of the all-stock transaction to about \$14.1bn. McDonnell Douglas shares jumped \$10%

or 21 per cent to \$62%. By 1 pm, Boeing's rise accounted for nearly all of the 18.83 gain that put the Dow at 6.323.70, according to Birinyi Associates, the equity research firm. Meanwhile the Standard & Poor's 500 was off 0.05 at 728.59. Volume on the NYSE came to 236m shares.

Bonds exerted some downward pressure on shares as stronger than expected manufacturing activity sent Treasuries lower and sent the yield on the benchmark 30-year bond up past 6.6 per

Technology shares were modestly weaker vesterday with the Nasdaq composite, which is weighted toward

that sector, falling 3.00 at 1,281.91. The Pacific Stock Exchange technology index was 0.6 per cent lower.

Intel, the semiconductor maker, fell \$1% to \$131%; America Online, the online service provider, lost \$1% or 5 per cent at \$32%. Among computer måkers, Gateway 2000 shed \$2% or 4 per cent at \$56%, Compaq Computer closed \$1% lower at \$78% and Dell Computer shed \$14

The Dow's move was restrained by a drop in the cigarette company, which jumped \$151/2 to \$1181/4 from the start of this month to the middle of last week, posted a third consecutive drop yesterday, losing \$1% at \$109%

tively to news that Conseco, the US insurer, had agreed to buy Pioneer Financial Services for about \$25 to \$28 per added \$1% or 3 per cent at \$61% and Pioneer jumped \$6

or 32 per cent to \$25. TORONTO rallied in early trading, moving ahead in line with the steadier performance of Wall Street and showing signs of wanting to end a three day losing

At noon, the 300 composite index was 7.88 higher at 5,714.76, although dealers pointed out that falls had a slight lead over rises. Energy stocks had the best of the morning session with the sector up more than 1 per cent and Renaissance Energy gaining 90 cents to

Caracas resumes advance

weakness to resume the upward path taken at the end of last week. The IBC ers digested the latest politiindex at midsession was 38.57 higher at 6,248.41 although volumes were very low with many investors already said to have wound down their activity ahead of

idad de Caracas gave up 1 minimum.

CARACAS overcame early bolivar to 524 bolivars. MEXICO CITY had a morning downturn as trad-

> the IPC index was 14.75 lower at 3,190.46. the leader of the ruling Institutional Revolutionary Party

MARKETS IN PERSPECTIVE

	* 6	benge in lo	% change starting †	14 US 5 †							
	1 Week	4 Weeks	1 Year	Start of 1985	Start of 1985	Start of 1996					
Austria	+1.24	+3.14	+15.26	+14.78	-0.55	+6.21					
Belgium	-1.41	-0,34	+15.52	+14.52	-0.92	+5,82					
Denmark	+0.18	+0.75	+23.39	+23.55	+8.38	+15.75					
Finland ,	-3.23	+0.24	+21,10	+33.74	+17.60	+25.59					
France	-1.07	-0.85	+23.85	+21.48	+6.53	+13.77					
Germany	+0.21	-0.10	+20.83	+21.28	+5.09	+12.24					
Ireland	-0.65	-2.34	+16.92	+17.22	+13.70	+21,44					
Italy	-1.88	-2.72	+7.85	+3.33	+0.51	+7.34					
Netherlands	-1.14	-0.12	+26.00	+24.54	+7.73	+15.08					
Norway	-0.02	+2.83	+24.18	+23.83	+13.11	+20.80					
Spain	-1.09	+4.28	+32.85	+29.16	+12.75	+20.42					
Sweden	-1.28	+1,51	+34.64	+33.07	+21.27	+29,51					
Switzerland	+0.08	-1.72	+16.22	+15.03	-5.81	+0.59					
UK	+0.25	+0.24	+8.58	+7.58	+7.58	+14.89					
EURÔPE	-0.35	-0.08	+16.71	+15.56	+6.03	+13.24					
Australia	-0.02	-2.60	+3.24	+4.11	+4.02	+11.09					
Hong Kong	-2.26	+0.75	+28.25	+25.59	+17.48	+25.47					
Japan	-1.03	-3.77	-1.59	-4.69	-19.13	-13.64					
Melaysia,	-0.14	-0.18	+20.03	+19.22	+12.32	+19.95					
New Zealand	-0.42	-0.32	+6.54	+8.71	+7.26	+14.55					
Singapore	-0.75	-0.84	+3.10	-0.64	-5.96	+0.44					
Canada	-1.68	-2.55	+23.71	+23.53	+15.92	+23.79					
USA	-1,45	-1.11	+17,00	+18.05	+10.53	+18.05					
Mexico	-3.75	-5.37	+23.60	+14.61	+4.26	+11.35					
South Africa	-2.45	-5.68	+1.42	+3.15	-25.61	-20.58					
WORLD INDEX	-1.08	-1.42	+12.73	+11.93	+1.82	+8.74					
† Based on December 19th 1995. © Copyright, PTSE international Limited, Goldman, Boths & Co. and Standard & Pour's. 1996. All rights received.											

FT/S&P ACTUARIES WORLD INDICES

Day's Change %

-1.1

-1.0

-1.8 -0.3 -1.0

-0.5 -0.1

..1B3.76

.204.12

310.29 .79,11

313.78 .279.39

.306.12 .198.92 .404.19

.107.28

..264.87 ...296.59

.227,46

189.02

Hong Kong (59

Mexico (27). Netherland (Netherland (18).... New Zealand (15)

USA (623) .

| Index | Inde

212.25 170.80 190.86 193.85 95.92 77.19 86.26 106.45 236.83 190.58 212.97 236.83 265.20 213.41 238.48 296.59

242.31 194.98 217.90 227.97 203.39 163.67 182.89 196.33 309.88 249.37 278.86 304.84 185.42 108.97 121.77 109.97

185.42 108.97 121.77 109.97 163.65 131.69 147.16 142.54

-0.5 237.13 190.82 213.24 250.30

259.11 208.51 181.18 145.90 271.81 218.73

233.00 288.99 162.93 171.57 244.43 262.40 148.64 147.64 173.48 185.72

Spain, Italy prosper after EU budget pact

Friday's signing of a tough European Union budget pact pushed bond markets higher on the periphery. Spain and Italy did particularly well and their equity markets fol-

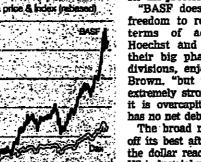
MADRID came achingly close to an all time high, the general index closing 7.84 or 1.9 per cent better at 410.91 against the December 3 peak of 411.42. The Spanish 10-year bond

spread over bunds hit a new record low, its 10-year bond future rose from 111.22 to 112.23, and interest rate-sensitive equities reaped the rewards with the banking sector up 1.7 per cent, and electrical utilities 2.8 per cent higher on the day. Dealers said that unusu-

ally high market turnover of Pta78bn indicated that the rally was well supported. In banks, Argentaria climbed by Pta170 or 3.2 per cent to Pta5,540, while Iberdrola led utilities with a gain of Pta70 or 4.5 per cent at Ptal,625. MILAN raced 2 per cent higher on better bonds, a stronger lira and the positive

Wall Street opening. The Comit index rose 12.56 643.83, while the real-time Mibtel index was 192 higher at 10,316, although volumes remained unimpressive.

BASF was a prime candidate



end events had lent support, as had comments from the Bank of Italy governor who said that inflation seemed to be under control. This had prompted expectations that a discount rate cut could be on the way after impending inflation data.

Among individual stocks. com Italia jumped L180 to L3,622 on expectations that the shareholders could do well out of a planned telecoms holding company. Stet rose L237 to L6.413. FRANKFURT'S BASE put

on 92 pfg at DM59.35. Mr Sachs commented that the German government was expected to enact legislation

share buybacks, and that

The broad market ended an Ibis-indicated 2,841.16, DM9.4bn to DM8.1bn.

executive. Mr Hakan Mogren, told investors and analysts at a company presentation that the company was evaluating the possibility of a share buyback, which would be completed by 1998. UBS said last Priday that the Swedish government seemed set to approve share buybacks, probably

seemed less than impre Astra A rose just SKr1 to SKr329 as the Affarsvärlden higher at 2,315.4.

The bigger winner of the

"BASF doesn't have the freedom to restructure in terms of activity that Hoechst and Bayer, with their big pharmaceuticals divisions, enjoy," said Mr Brown, "but it does have extremely strong cash flow, it is overcapitalised and it has no net debt."

off its best after bunds and the dollar reacted to strong US industrial production figures for November. The Dax index closed 25.39 higher at turnover falling from In London, Astra's chief

from July 1997 onwards.

STOCKHOLM, however,

day was the construction company, Skanska, SKr13

Open 18.30 11.00 12.00 13.00 14.00 15.00 Close FTSE Bendrack 100 1859.10 1859.33 1854.03 1859.36 1859.14 1854.53 1854.50 1854.40 Dec 13 Dec 12 Dec 11 Dec 10 Dec 9

> higher at SKr292.50, Skaneka nent bid for the Casino said that it and Ikano, supermarkets chain. owned by the family which founded the furniture retailer, Ikea, would create a company which would specialise in factory outlet stores. PARIS was encouraged by

loan rate reductions at a number of big banks, the CAC 40 index closing up 19.16 at 2,222.57. Dollar stocks had a solid

session with LVMH up FFr10 at FFr1,268 and L'Oreal FFr25 ahead at FFr1,840. Michelin, which tumbled almost 4.5 per cent last week, rallied strongly, gaining FFr6.40 to FFr265.50. There was good activity among second line stocks.

Pathe, which has a 17 per cent stake in BSkyB, jumped sharply on bullish weekend press coverage for the media giant. Pathe advanced FF155 Promodes recovered FF120

to FFr1,385. Shares in the leading retailer lost ground

HK\$10.1bn.

down 13.42 to 673.92.

index rose 29.9 to 3.869.2 Swissair put on SF188 at

SFr1,055 on recurrent rumours that the airline, which plans a press conference on Thursday, was planning to separate some of its profitable catering business from its hard pressed sirline

Six Red Cro

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villed in Chee

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LISTEDIY 46

tors' enthusiasm. The SMI

A SFT45 rise to SFT2.875 in Baloise was attributed to speculation that a press conference on Thursday might bring news of a takeover or the day's strongest perfor-

mance in northern Europe, SMH lost SFr10 to SF1810. under pressure from options 9.47 or 1.6 per cent to 616.12 that expire tomorrow.

Elektrowatt gave up SF15 of its recent gains at SFr522, although there was still speculation that CS Holding might sell its stake by the end of the year.

rising F12.80 or more than 4 per cent to F158. Ahold, the Holderbank rose SF121 to SF1929 on recent recommendations from brokers noting that the company would be an early beneficiary from a ket warmed to a story of pick-up in European economic growth.

BUDAPEST took advanpresentations in New York tage of strong performances in two chemical stocks, TVK and Borsodchem, to push the Bux index up 17.74 to the third successive high of 3.835.95

Written and edited by William dominated by special situa-Cochrane, Michael Morgan and tions, while today's FOMC

China tumbles as Beijing raps speculators

China's A and B share indices tumbled in hectic selling prompted by sharp criticism of the markets by the central government in Beijing. SHENZHEN's hard currency B index plunged by the new 10 per cent maximum, while SHANGHAI Bs lost 9.6 per cent.

dramatic surges on both markets. The People's Daily, mouthpiece of the Communist Party, warned that the two markets were overheating due to speculative trading and warned of a crash cal changes. At midsession, similar to the Wall Street collapse of 1929.

Last Friday, the Shenzhen News late on Friday that and Shanghai bourses announced that they were imposing a 10 per cent cellhad resigned kept investors ing on daily movements for The benchmark Electric-sidelined and volumes at a individual stocks with effect from vesterday.

On Sunday, the China Securities Regulatory Commission, the country's top securities watchdog, also announced a quota of Yb10bn worth of share issues for 1997, doubling the quota of Yb5.5bn this year, in an effort to cap the frenetic pace of the markets. Shanghai's B index ended down 6.862 at 59.929 while the A shares lost 115.370 or 9.9 per cent to 1,047.68. Shenzhen's B index plunged 14.93

46.34 to 417.2. TOKYO finished moderately higher on dull but stable trading as domestic institutions went bargain hunting and non-life insurance companies lost ground following the weekend agreement between Japan and the US on deregulation of the insurance market. urites Gwen Robinson.

The Nikkei 225 average added 80.65 to 10,422.04 after trading between 20,291.08

213.00 190.46 152.62 170.97

 271,42
 242,69
 194,48
 217,86
 228,29
 281,50
 222,53

 228,15
 204,89
 164,19
 183,93
 167,66
 234,56
 194,31

 350,71
 313,56
 251,29
 251,50
 306,37
 356,51
 261,19

 153,17
 136,96
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 122,94
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 181,45

 184,73
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 143,80
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 190.89
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 226.04

and 20,472.05. Volume dwin- sharp setbacks on concerns dled to 266m shares from Friday's inflated turnover of 833.12m on December futures and options settlement. Advances led declines 657 to 428, with 173 unchanged.

Investors continued to seek internationally competitive blue chip issues, and showed new interest in some stocks that were enjoying strong domestic demand such as gas and power utili-

The Topix index of all first-section stocks rose 10.03 to 1.511.98 and the capitalweighted Nikkei 300 was up 2.01 at 286.64. In London, the ISE/Nik-

kei-50 index fell 0.73 to Continued interest in NTT,

particularly among foreign investors, also supported other telecommunications issues. NTT added Y10.000 to Y916,000 and KDD rose Y210 to Y7.950. Blue chip electri-Johannesburg was closed for cals and carmakers most active issue, rose Y20 to Y1,070. Mitsubishi Electric added Y11 to Y683 and Toshiba Y10 to Y747. Honda climbed Y70 to Y3,210.

Non-life insurers, however, fell by nearly 2.4 per cent on heavy selling pressure following agreement between the US and Japan to open the Japanese market to greater foreign competition. Tokio Marine and Fire Insurance fell Y20 to Y1,120 and Sumitomo Marine and Fire Insurance shed Y22 to Y718.

to 134.43 and the A index lost Oriental Land, the operator of Tokyo Disneyland continued to suffer profittaking following its strong Wednesday, when it closed at Y8.800. On Monday, the stock fell a further Y170 to Y8,130.

Domestic utilities, mean while, enjoyed active buying interest. Tokyo Electric Power rose Y50 to Y2,530 and Tokyo Gas climbed Y4 to Y311. Banking issues

about banks' bad debts. Sumitomo Bank added Y40 to Y1,790, Daiwa Bank Y37 to Y612 and Industrial Bank of

In Osaka, the OSE average mse 112.27 to 20.674.86 in volume of 56.2m shares. HONG KONG's blue chips ended with solid gains on

Japan Y40 to Y2,090.

ket sentiment received a furrenewed momentum after ther jolt when a leading investment trust company but H-shares of Chinese heavily sold Samsung Electronics and LG Information enterprises, listed in the colony, were depressed as the shares, sending most blue Chinese stock markets nosechips down. Won3.900 or 7.8 per cent to Hang Seng index

ended 153.41 higher at Won46,100, while LG Information lost Won5,200 or 7.9 12,937.48 after dropping per cent to Won60,300. 318.66 points last week, while the H share index dropped 5.1 per cent. Turn- ernment

Analysts noted that gov-

Samsung Electronics fell

tus to the market, had

AMSTERDAM turned in

the AEX index advancing

Underpinned by a firm

bond market. Fortis Amev,

the big insurer, produced the

best bounce of the session,

retailer, put on F1 3.50 to

Royal Dutch improved

F1.1.40 to F1.288.5 as the mar-

improved chemical returns

from the oil giant following

Unilever, up Fl 7.00 to Fl 288, was said to have met

with demand from the UK

ZURICH ended firmer, but

off its best levels, after a day

FI 104.30.

and London.

fund managers.

in solid two-way trading.

SEOUL remained at a failed to match expectations. BOMBAY rallied 2.7 per three year low, under pressure from heavy salling by cent in hectic trade after the finance minister said that a domestic institutions, which controversial tax on compaleft the composite index nies may soon be phased Analysts noted that mar-

The BSE-30 index jumped 77,50 to 2958.65 after the minister said that the new tax might be phased out after a new Income Tax Act and Companies Act came into . of Christmas. The All Ordi-

The Unit Trust of India, the country's biggest mutual, fund was a major buyer in index-linked stocks, helping them to stage a

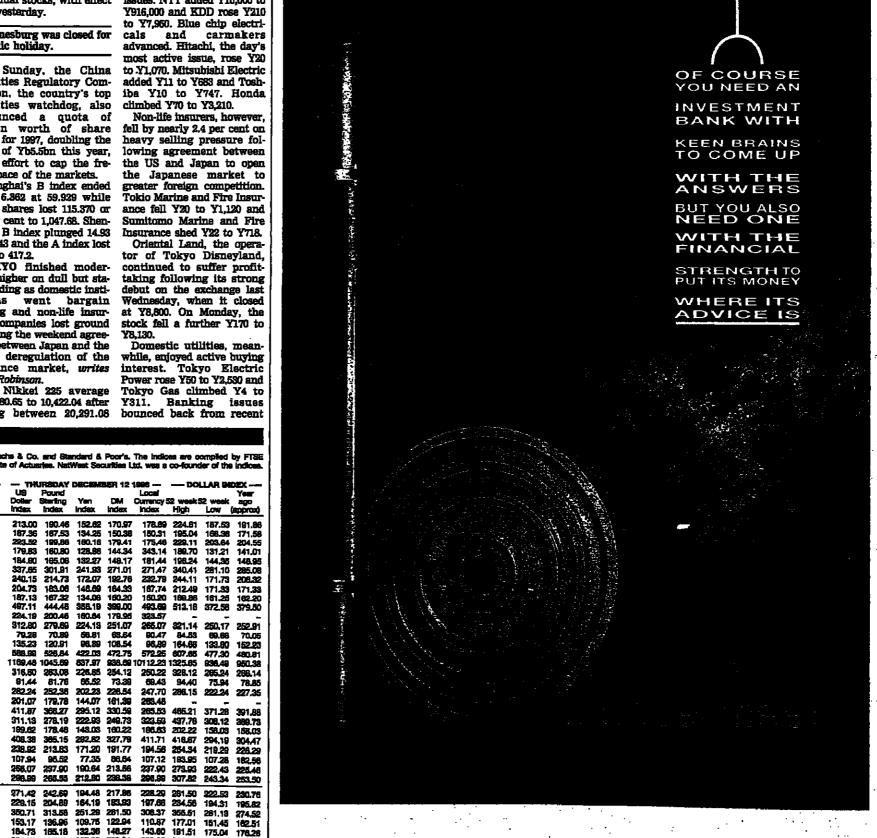
BANGKOK edged higher market hours.

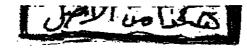
over pulled back to announced at the end of the in subdued trading ahead of HK\$6.5bn from Friday's day, designed to provide today's policy statement from the finance ministry. The SET index closed up 0.09 at 872.76.

Few surprises were expected today from Amnuay Viravan, the finance minis ter, but with the market hovering just above a 42 month low investors were not taking chances, said brokers.

SYDNEY closed higher in thin trading as investors wound down positions ahead naries index added 19.8 to

News Corp edged up a cent to A\$6.44. News that the Brierley group had acquired 25 per cent of the John Fairfax media group came after





4.51 1.92 3.84 2.00 1.71 2.20 2.92 1.61 3.48 2.80 1.10 1.10 2.06 3.99 2.06 3.09 2.48 3.09 2.48 3.09 2.48 3.09 2.48 3.09 2.48 3.22 4.01 2.02

2.01 2.95 2.05 1.28 2.15 2.02

2.82 2.84 2.14 1.87 2.38

-0.1 -0.7 -1.1

-0.8 -0.7 -0.1 -0.8 -1.4 -0.7 -0.5 -0.4